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#5984

MAXUS ENERGY CORPORATION CORPORATE  
DOCUMENTS

EPA Region 5 Records Ctr.



257309

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COMPANY DATA:

COMPANY CONFORMED NAME:	MAXUS ENERGY CORP /DE/
CENTRAL INDEX KEY:	0000724176
STANDARD INDUSTRIAL CLASSIFICATION:	CRUDE PETROLEUM & NATURAL GAS [1311]
IRS NUMBER:	Non-Responsive
STATE OF INCORPORATION:	DE
FISCAL YEAR END:	1231

FILING VALUES:

FORM TYPE:	10-K405
SEC ACT:	1934 Act
SEC FILE NUMBER:	033-55857
FILM NUMBER:	97560174

BUSINESS ADDRESS:

STREET 1:	717 N HARWOOD ST- RM 3147
CITY:	DALLAS
STATE:	TX
ZIP:	75201-6594
BUSINESS PHONE:	2149532000

FORMER COMPANY:

FORMER CONFORMED NAME:	DIAMOND SHAMROCK CORP /DE/
DATE OF NAME CHANGE:	19870518

FORMER COMPANY:

FORMER CONFORMED NAME:	NEW DIAMOND CORP
DATE OF NAME CHANGE:	19830908

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996

OR

[\_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-8567-2

MAXUS ENERGY CORPORATION  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	75-1891531 (I.R.S. EMPLOYER IDENTIFICATION NO.)
717 NORTH HARWOOD STREET DALLAS, TEXAS (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	75201-6594 (ZIP CODE)

Registrant's telephone number, including area code: (214) 953-2000

Securities registered pursuant to Section 12(b) of the Act:

<TABLE>

<CAPTION>

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
<S>	<C>
\$2.50 Cumulative Preferred Stock, \$1.00 Par Value.....	New York Stock Exchange
8 1/2% Sinking Fund Debentures Due April 1, 2008.....	New York Stock Exchange

</TABLE>

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 1, 1997: Not applicable.

Shares of Common Stock outstanding at March 1, 1997 -- 147,246,135.

DOCUMENTS INCORPORATED BY REFERENCE  
None

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## PART I

### ITEMS 1 AND 2. BUSINESS AND PROPERTIES.

Maxus Energy Corporation ("Maxus" or the "Company") was incorporated in Delaware in 1983 to hold the stock of various corporations, the oldest of which was founded in 1910. The Company, together with its subsidiaries, is an oil and gas exploration and production company with ongoing international activity primarily in Indonesia and Ecuador and domestic activity primarily in the mid-continent region of the United States. Its principal executive offices are located at 717 North Harwood Street, Dallas, Texas 75201-6594, and its telephone number is (214) 953-2000. In this report, the terms "Company" and "Maxus" mean Maxus Energy Corporation, its subsidiaries and their predecessors unless the context otherwise indicates.

On June 8, 1995, YPF Sociedad Anonima ("YPF"), an Argentine sociedad anonima, completed its acquisition of all the shares of common stock ("Common Stock") of Maxus through a merger (the "Merger") of Maxus with a YPF subsidiary. The Merger was the consummation of transactions contemplated by a tender offer which was commenced by YPF on March 6, 1995 for all outstanding shares of Common Stock of the Company at \$5.50 per share. As of the date hereof, the Common Stock, all of which is owned by a subsidiary of YPF, and the Company's \$2.50 Cumulative Preferred Stock ("2.50 Preferred Stock") remain outstanding. On August 13, 1996, the Company redeemed all of its outstanding \$4.00 Cumulative Convertible Preferred Stock ("4.00 Preferred Stock"), and on January 31, 1997, the Company redeemed its remaining outstanding \$9.75 Cumulative Convertible Preferred Stock ("9.75 Preferred Stock").

Effective April 1, 1995, the Company used the purchase method of accounting to record the acquisition of the Company by YPF. In a purchase method combination, the purchase price is allocated to acquired assets and assumed liabilities based on their fair values at the date of acquisition. As a result, the Company's assets and liabilities were revalued to reflect the approximate \$762 million cash purchase price paid by YPF to acquire the Company. Due to the application of purchase accounting on April 1, 1995, financial information post-Merger is not comparable to prior periods. Therefore, financial information is presented separately for pre-Merger (year ended December 31, 1994 and the three-month period ended March 31, 1995) and post-Merger periods (nine months ended December 31, 1995 and year ended December 31, 1996). The Company's sales or transfers between geographic areas were not significant for the year ended December 31, 1994, the three months ended March 31, 1995, the nine months ended December 31, 1995 and year ended December 31, 1996. Operating revenues from export sales to unaffiliated customers located outside the United States were less than 10% of the Company's consolidated sales and operating revenues for the twelve months ended December 31, 1994, the three months ended March 31, 1995, the nine months ended December 31, 1995 and the year ended December 31, 1996. Information concerning outside sales and operating profit by geographic area for the twelve months ended December 31, 1996 and the nine months ended December 31, 1995 and identifiable assets by geographic area as of December 31, 1996 and 1995 is presented on pages F-41 and F-42. Information concerning outside sales and operating profit by geographic area for the twelve months ended December 31, 1994, and the three months ended March 31, 1995 and identifiable assets by geographic area as of December 31, 1994 is presented on pages F-8 and F-9 of this report.

#### General Reorganization

On June 18, 1996, the Company announced a reorganization which included the sale of three of its subsidiaries holding certain Bolivian and Venezuelan assets to YPF, the redemption of the outstanding shares of \$4.00 Preferred Stock and the transfer to a YPF subsidiary of a Maxus subsidiary that assumed certain liabilities related to environmental matters.

Effective July 1, 1996, Maxus International Energy Company ("Seller"), a wholly owned subsidiary of Maxus, sold all of the issued and outstanding shares of capital stock of its wholly owned subsidiary, YPF International Ltd. ("International"), to YPF pursuant to a Stock Purchase and Sale Agreement by and between YPF and Seller. The sole assets of International at the time of the transaction were all of

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the issued and outstanding shares of capital stock of Maxus Bolivia, Inc. ("Maxus Bolivia"), Maxus Venezuela (C.I.) Ltd. ("Venezuela C.I.") and Maxus Venezuela S.A. ("Venezuela S.A."). The assets of Maxus Bolivia consisted of all of the former assets and operations of Maxus in Bolivia, including the interests of Maxus in the Surubi Field and Secure and Caipipendi Blocks. The assets of Venezuela C.I. and Venezuela S.A. consisted of all of the former assets and operations of Maxus in Venezuela, except those held through Maxus Guarapiche Ltd. ("Maxus Guarapiche"), including the interests of Maxus in the Quiriquire Unit.

In January 1996, the Company and its partners were successful in acquiring the highly prospective Guarapiche block in Venezuela's first auction awards for equity production in over 20 years. Guarapiche is located on the same trend as the five billion barrel El Furrial field in northeastern Venezuela. In July 1996, the Company, together with its partners, paid \$109 million (approximately \$27 million net to the Company) to the Venezuelan Government for rights to explore the Guarapiche block. While not a part of the above-described sale transaction, effective September 1, 1996, Seller sold all of the capital stock of Maxus Guarapiche to International for \$26 million which represented the carrying amount of Maxus Guarapiche on the financial reporting books of Seller as of August 31, 1996. Maxus Guarapiche had a 25% interest in the Guarapiche Block.

Also as part of the general reorganization, on August 13, 1996, Maxus redeemed all of its outstanding shares of \$4.00 Preferred Stock at a price of \$50 per share plus accrued and unpaid dividends (approximately \$221 million in the aggregate). The excess of the redemption price over the carrying value of the \$4.00 Preferred Stock resulted in an increase in the Company's accumulated deficit of \$214 million. The Company used a portion of the proceeds from the sale of all the issued and outstanding shares of capital stock of International as well as an advance from YPF of approximately \$56 million to redeem the \$4.00 Preferred Stock.



As a further part of the reorganization, the Company transferred certain liabilities related to environmental matters to Chemical Land Holdings, Inc. ("CLH"), an indirect subsidiary of YPF, effective as of August 1, 1996. In connection with this transfer, CLH assumed (the "Assumption") the liabilities so transferred and YPF committed to contribute to the capital of CLH up to \$108 million, which amount will enable CLH to satisfy its obligations under the Assumption based on the Company's reserves established in respect of the assumed liabilities as of July 31, 1996, plus provide funding for certain operating expenses budgeted by CLH from time to time.

#### Exploration and Production--International

The Company's foreign petroleum exploration, development and production activities are subject to political and economic uncertainties, expropriation of property and cancellation or modification of contract rights, foreign exchange restrictions and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted, as well as risks of loss in some countries due to changes in governments, civil strife, acts of war, guerrilla activities and insurrection.

#### Indonesia

The Company has interests in production sharing contracts with Pertamina, Indonesia's state oil company, for the exploration, development and production of oil and gas in two primary areas in the Java Sea--Southeast Sumatra and Northwest Java. These areas accounted for 77% of the Company's total net production of oil during 1996. The Company's working interest in the Southeast Sumatra production sharing contract is 55.7% and in the Northwest Java production sharing contract is 24.3%. The Company is the operator of the Southeast Sumatra block, and Atlantic Richfield Company ("ARCO") is the operator of the Northwest Java block.

The Indonesian production sharing contracts allow the Company to recover, subject to available production, tangible and intangible costs of exploration, intangible costs of production and operating costs on a current basis and tangible costs of production generally over a seven-year period. After recovery of those costs and fulfillment of a domestic market obligation for oil, in 1996 the contractors received 34% of the oil produced and 79.5% of the gas produced before Indonesian taxes, the statutory rate for which is approximately 56%. The Southeast Sumatra and Northwest Java production sharing contracts extend to 2018 and 2017, respectively.

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The Company has gas projects in both the Northwest Java and Southeast Sumatra contract areas. In 1992, ARCO began developing gas reserves in Northwest Java. Production from this project, which began delivery to Jakarta in 1993, averaged 322.2 million cubic feet per day ("mmcfpd") (gross) during 1996. In Southeast Sumatra, where the Company has certified (but not included in its proved reserves because of an absence of a contract of sale) 300 billion cubic feet ("bcf") of gross gas reserves, the Company is negotiating with Pertamina for domestic gas sales contracts to supply expanding West Java markets. Although the Company cannot give any assurance that a contract will ultimately be signed, management currently believes that these negotiations will lead to a satisfactory gas sales contract and a profitable market for the Company's Southeast Sumatra natural gas.

During 1996, five exploration and 22 development wells were drilled in the Northwest Java contract area. During the year, 33.6 million barrels (gross) of oil and 96.3 bcf (gross) of gas were added to proved reserves. Also during 1996, the Company drilled six exploration and 25 development wells in the Southeast Sumatra contract area which added 45.3 million barrels (gross) of proved oil reserves. Southeast Sumatra 1996 gross production remained essentially unchanged from 1995 production. Natural declines were offset by new production resulting from the introduction of horizontal well technology and use of high volume electrical submersible pumps combined with an active drilling program. Two large 3D seismic surveys were also completed in the Southeast Sumatra block in 1996.

Reserve additions replaced 90% of the gross production of oil for the Southeast Sumatra block and 90% of the gross oil and gas produced in the Northwest Java block in 1996. The Company plans to drill nine exploration wells in the Southeast Sumatra block and nine exploration wells in the Northwest Java block in 1997. At the same time, the Company has increased capital expenditures for development drilling to boost current production. Major efforts are underway to reduce development and lifting costs and secure operating conditions to commercialize small oil accumulations discovered in

previous years that were formerly considered uneconomic.

#### Ecuador

The Company is the operator of and has a 35% working interest in the Block 16 project ("Block 16") in eastern Ecuador from which production began in 1994. A total of 14 wells were drilled on the Block in 1996: eight delineation wells in the Daimi Field, four delineation wells in the Ginta Field and two disposal wells in the WIPSI pad. Additionally, 20 completions and 23 workovers were performed during 1996.

During 1996, the construction of the Southern Production Facilities continued, with Phase I of the project being completed. These facilities are scheduled to begin operations in July 1997 and are expected to allow a production capacity increase from 45,000 barrels of oil per day to 65,000 barrels of oil per day. During 1996, pipeline capacity available to the Company was sufficient to transport only about 60% to 80% of the oil which the Company was capable of producing daily in Ecuador. Due to decreased usage during the first quarter of 1997 by PetroEcuador, the state oil company, however, pipeline capacity has been available to transport close to 100% of the oil which the Company is capable of producing daily. It is not known whether this availability is temporary and, if permanent, whether it will be adequate to accommodate the expected increased production in mid-1997. Additionally, the Ecuadorian Government has announced its intention to solicit bids in early 1997 for the construction of a new pipeline system and expects completion of the pipeline within 18 to 24 months from the date of execution of a contract. The impact, if any, which a recent change in the country's political leadership will have on these plans to solicit such bids is not known.

On August 10, 1996, a new administration was inaugurated in Ecuador and on August 20, 1996, the new Energy Minister announced his intention to cancel the Company's risk service contract unless the Company and the other members of its consortium for Block 16 agreed to convert such contract into a production sharing contract. On December 27, 1996, the Company and the Government entered into a new contract effective January 1, 1997 governing Block 16. The principal difference between the two contracts is the manner in which the consortium's costs in Block 16 are recovered. Under the former contract, the Company had the right to recover its investment before the Government began to share in significant proceeds from the sale of production; under

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the new contract, the Government receives a royalty, and the Company's recovery of its investment is out of the proceeds after deducting such royalty. Previous administrations had signaled their dissatisfaction with the former arrangement and in recent years a series of auditing, contract administration and certification of new field disputes had arisen that made it increasingly difficult to develop Block 16. The new contract also resolves certain outstanding disputes and amends the prior agreement in various other ways, some of which are expected to significantly improve the Company's current and future operating costs. The Company believes that the new contract permits the Company to go forward with the development of Block 16 and permits it to do so on a more cost-effective basis, subject to the eventual permanent increase of pipeline capacity discussed above.

The Company's program spending in Ecuador was reduced from \$32 million in 1995 to \$17 million in 1996. For 1997, the program spending will be increased to approximately \$23 million mainly due to the planned completion of Southern Production Facilities and use of horizontal drilling in the Tivacuno Field.

#### Exploration and Production--Domestic

Through its wholly owned subsidiary, Midgard Energy Company ("Midgard"), the Company currently focuses its domestic exploration and production efforts in the Texas Panhandle and western Oklahoma where it has substantial investments in natural gas gathering systems that are used to aggregate gas produced and purchased by the Company for processing and resale. The Company owns and operates one gas processing plant in the area: its Sunray plant in Moore County, Texas. The Sunray plant, which was completed in 1993, incorporates state-of-the-art technology, including a cold box for extraction of helium. It can process approximately 200 mmcfpd at peak operation and, as of February 1, 1997, was processing approximately 180 mmcfpd. In December 1996, the Company shut down its gas processing plant in Roger Mills County, Oklahoma, and gas previously processed by that plant is currently being processed at a third party facility. While it has made no decision to reactivate the Roger Mills plant, the Company is evaluating alternatives to relocate the Roger Mills plant to a more strategic location in the Texas Panhandle during 1997.

In 1996, Midgard continued an aggressive drilling program on its Mid-continent properties, drilling and completing 109 wells compared to 81 wells in 1995. Production for 1996 rose 12% over 1995 rates to an average of 145 mmcfpd and year-end reserves increased 22% from December 31, 1995 to 724 bcf equivalent. Midgard replaced 330% of production during the year at a cost of \$0.34 per thousand cubic feet ("mcf") equivalent and, as compared to 1995, reduced unit production costs by 12% and unit gathering costs by 6%.

For 1997, Midgard's development plans include the continuation of its in-fill drilling program at a level comparable to 1996 and efforts to maximize processed volumes through gathering systems upgrades. Additionally, Midgard expects to pursue strategic acquisition opportunities in the gathering, processing and producing properties sectors, while drilling a portfolio of higher risk and higher potential exploration wells to complement its lower risk in-fill and extension drilling program.

Midgard has signed a letter of intent with Amoco Production Company concerning the establishment of a partnership with regard to its business and assets. The objective of the partnership is lowering unit costs, creating economies of scale and improving marketing leverage. Establishment of the partnership is subject to execution of definitive agreements and efforts in that regard are currently proceeding.

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#### Oil and Gas Operations

Average sales prices and production costs of crude oil and natural gas produced by geographic area for the three months ended March 31, 1995, the nine months ended December 31, 1995 and the year ended December 31, 1996 were as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, 1994
<S>	<C>	<C>	<C>	<C>
United States				
Average Sales Price				
Crude Oil (per barrel)...	\$19.23	\$16.29	\$16.07	\$13.89
Natural Gas Liquids (per barrel).....	\$11.94	\$10.42	\$10.27	\$10.02
Natural Gas Sold (per mcf) (a).....	\$ 1.83	\$ 1.54	\$ 1.42	\$ 1.89
Natural Gas Produced (per mcf) (b).....	\$ 2.31	\$ 1.97	\$ 1.89	\$ 2.10
Average Production Cost (per barrel) (c).....	\$ 3.46	\$ 3.39	\$ 3.74	\$ 3.37
Indonesia				
Average Sales Price				
Crude Oil (per barrel)...	\$20.32	\$17.01	\$17.54	\$15.61
Natural Gas Liquids (per barrel).....	\$14.49	\$14.33	\$19.19	\$ 9.42
Natural Gas Sold (per mcf) (a).....	\$ 2.65	\$ 2.62	\$ 2.65	\$ 2.24
Natural Gas Produced (per mcf) (b).....	\$ 2.65	\$ 2.64	\$ 2.73	\$ 2.53
Average Production Cost (per barrel) (c).....	\$ 7.01	\$ 6.44	\$ 7.42	\$ 6.18
South America				
Average Sales Price				
Crude Oil (per barrel)...	\$15.81	\$12.79	\$12.58	\$12.58
Average Production Cost (per barrel) (c).....	\$ 4.72	\$ 6.30	\$ 8.99	\$ 9.36

&lt;/TABLE&gt;

(a) The average natural gas price for sales volumes is calculated by dividing the total net sales value for all natural gas sold by the Company, including residue gas remaining after the removal of natural gas liquids, by the annual natural gas sales volume.

(b) The average natural gas price for produced volumes is calculated by dividing the total net value received from the sale of natural gas and natural gas liquids produced by the Company by the annual natural gas

production volume.

- (c) Production or lifting cost is exclusive of depreciation and depletion applicable to capitalized lease acquisition, exploration and development expenditures. Average production costs are calculated by dividing total operating costs by the sum of crude oil and equivalent barrels of oil for natural gas production. Gas volumes produced were converted to equivalent barrels of crude oil by dividing the mcf volume by six. Six mcf of gas have approximately the heating value of one barrel of crude oil.

The Company periodically hedges against the effects of fluctuations in the prices of natural gas through price swap agreements and futures contracts. During 1996, a hedging program covered an average of 60% of the Company's United States natural gas production and 35% of its United States natural gas liquids sales. The Company anticipates hedging approximately 85% of its United States natural gas production and 40% of its United States natural gas liquids sales during 1997.

Information regarding the Company's oil and gas producing activities for the periods indicated is set forth on pages F-27 through F-31 and F-66 through F-69 of this report. The Company's estimates of its net interests in proved reserves at December 31, 1996 are based upon records regularly prepared and maintained by its engineers. In 1996, the Company filed estimates of certain of its proved reserves of crude oil and natural gas in the United States at December 31, 1995 with the United States Department of Energy. The total reserve estimates included therein do not differ by more than 5% from the total reserve estimates for the comparable period for the same reserves included in the Company's filings with the Securities and Exchange Commission.

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The following table shows the Company's average daily sales and net production (after deducting royalty and operating interests of others) by geographic area for the periods presented.

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, 1994
<S>	<C>	<C>	<C>	<C>
United States				
Average Daily Production				
Crude Oil (m barrels)....	1.2	1.1	1.0	2.4
Natural Gas (mmcf) (a)....	145	130	125	156
Average Daily Sales				
Natural Gas Liquids (m barrels).....	9.9	8.7	8.8	8.2
Natural Gas (mmcf) (b)....	116	104	98	131
Indonesia				
Average Daily Production				
Crude Oil (m barrels)....	43.6	53.0	52.0	59.3
Average Daily Sales				
Natural Gas Liquids (m barrels).....	2.3	1.7	0.9	2.1
Natural Gas (mmcf) (b)....	69	61	40	44
South America				
Average Daily Production				
Crude Oil (m barrels)....	11.9	12.4	8.5	4.6
Average Daily Sales				
Crude Oil (m barrels)....	14.1	10.4	6.9	5.2

</TABLE>

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(a) Reflects the average amount of daily wellhead production.

(b) Average daily sales volumes for natural gas production, reduced, in those cases where the gas is processed for extraction of natural gas liquids, by the shrinkage resulting therefrom.

In addition to gathering and processing a substantial part of the Company's own natural gas, the Company purchases natural gas in the Texas Panhandle and western Oklahoma for resale. The majority of this natural gas is processed through the Company's processing facility. The table below reflects the average daily sales and average sales prices received for such purchased natural gas and the natural gas liquids extracted in processing for the periods presented.

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, 1994
<S>	<C>	<C>	<C>	<C>
Average Sales Price				
Natural Gas Liquids (per barrel).....	\$14.70	\$10.57	\$10.48	\$10.12
Natural Gas (per mcf)....	\$ 2.19	\$ 1.42	\$ 1.49	\$ 1.90
Average Daily Sales				
Natural Gas Liquids (m barrels).....	8.6	8.9	9.6	9.7
Natural Gas (mmcf).....	66	68	69	144

</TABLE>

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The following tables set forth information regarding the Company's wells and leasehold acres. "Gross" wells or acres are the total number of wells or acres in which the Company owns any interest. "Net" wells or acres are the sum of the fractional working interests the Company owns in gross wells or acres. "Productive" wells are either producing wells or wells capable of commercial production although currently shut-in. One or more completions ("multiple completions") in the same bore hole are counted as one well.

At December 31, 1996, total gross and net productive oil and gas wells, including multiple completions, by geographic area were as follows:

<TABLE>  
<CAPTION>

	WELLS			
	OIL		GAS	
	GROSS	NET	GROSS	NET
<S>	<C>	<C>	<C>	<C>
Oil and Gas Wells				
United States.....	329	229.1	1,547	1,187.6
Indonesia.....	770	300.2	10	2.4
South America.....	33	11.6	0	0.0
Total.....	1,132	540.9	1,557	1,190.0
Multiple Completions				
United States.....	0	0.0	31	14.7
Indonesia.....	93	22.6	0	0.0
Total.....	93	22.6	31	14.7

</TABLE>

At December 31, 1996, total gross and net developed and undeveloped acreage by geographic area was as follows:

<TABLE>  
<CAPTION>

	UNITED STATES	INDONESIA	SOUTH AMERICA	OTHER FOREIGN
<S>	<C>	<C>	<C>	<C>
Gross Acres				
Developed Acres.....	557,717	143,738	5,160	0
Undeveloped Acres.....	310,141	7,027,662	506,137	971,587
Total.....	867,858	7,171,400	511,297	971,587
Net Acres				
Developed Acres.....	469,612	54,254	1,806	0
Undeveloped Acres.....	176,242	2,543,306	177,148	582,952
Total.....	645,854	2,597,560	178,954	582,952

</TABLE>

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## Exploration and Development Activities

Drilling activities of the Company for each year in the three-year period ended December 31, 1996 are summarized by geographic area in the following table:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	FOR THE YEAR ENDED DECEMBER 31,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Gross wells drilled(*)			
United States			
Exploratory			
Oil.....	0	0	0
Gas.....	0	0	1
Dry.....	0	2	6
Total.....	0	2	7
Development			
Oil.....	8	3	2
Gas.....	96	73	44
Dry.....	5	5	4
Total.....	109	81	50
Indonesia			
Exploratory			
Oil.....	1	0	3
Gas.....	0	0	0
Dry.....	10	12	7
Total.....	11	12	10
Development			
Oil.....	45	35	38
Gas.....	4	0	1
Dry.....	1	2	2
Total.....	50	37	41
South America			
Exploratory			
Oil.....	4	1	1
Gas.....	0	0	0
Dry.....	0	1	0
Total.....	4	2	1
Development			
Oil.....	16	17	13
Gas.....	0	0	0
Dry.....	0	0	0
Total.....	16	17	13
Other Foreign			
Exploratory			
Oil.....	0	0	0
Gas.....	0	0	0
Dry.....	1	3	0
Total.....	1	3	0

&lt;/TABLE&gt;

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&lt;TABLE&gt;

&lt;CAPTION&gt;

	FOR THE YEAR ENDED DECEMBER 31,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Development			
Oil.....	0	0	0
Gas.....	0	0	0
Dry.....	0	0	0

Total.....	0	0	
Net Wells Drilled*			
United States			
Exploratory			
Oil.....	0.0	0.0	0.0
Gas.....	0.0	0.0	1.0
Dry.....	0.0	1.5	3.5
Total.....	0.0	1.5	4.5
Development			
Oil.....	7.9	3.0	0.2
Gas.....	89.4	65.7	22.1
Dry.....	5.0	5.0	1.6
Total.....	102.3	73.7	23.9
Indonesia			
Exploratory			
Oil.....	0.6	0.0	0.7
Gas.....	0.0	0.0	0.0
Dry.....	4.3	6.4	3.3
Total.....	4.9	6.4	4.0
Development			
Oil.....	20.0	14.5	17.1
Gas.....	1.0	0.0	0.2
Dry.....	0.6	1.1	0.5
Total.....	21.6	15.6	17.8
South America			
Exploratory			
Oil.....	1.4	0.4	0.4
Gas.....	0.0	0.0	0.0
Dry.....	0.0	0.6	0.0
Total.....	1.4	1.0	0.4
Development			
Oil.....	5.6	7.2	4.6
Gas.....	0.0	0.0	0.0
Dry.....	0.0	0.0	0.0
Total.....	5.6	7.2	4.6
Other Foreign			
Exploratory			
Oil.....	0.0	0.0	0.0
Gas.....	0.0	0.0	0.0
Dry.....	1.0	2.6	0.0
Total.....	1.0	2.6	0.0

&lt;/TABLE&gt;

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&lt;CAPTION&gt;

FOR THE YEAR ENDED  
DECEMBER 31,

	1996	1995	1994
<S>	<C>	<C>	<C>
Development			
Oil.....	0.0	0.0	0.0
Gas.....	0.0	0.0	0.0
Dry.....	0.0	0.0	0.0
Total.....	0.0	0.0	0.0

&lt;/TABLE&gt;

\* "Gross" wells means all wells in which the Company has an interest. "Net" wells means gross wells after deducting interests of others.

At December 31, 1996, the Company was participating in the drilling of 7 gross and 6.3 net wells in the United States, 4 gross and 1.6 net wells in Indonesia and 3 gross and 1.5 net wells in areas outside the United States other than Indonesia.

Competition and Markets

The primary markets for the Company's Indonesian oil production are the Pacific Rim countries, including Japan, China and Indonesia. The continued increasing environmental consciousness of this region has resulted in premium prices for low sulfur oil such as that produced from the Southeast Sumatra and Northwest Java areas. The Company has ongoing business relationships with government oil companies, utilities, refiners and trading companies which are expected to continue to facilitate sales in this area.

The Company believes the long-term potential for natural gas demand growth in North America remains positive for several reasons. Chief among these reasons are the environmental advantages of natural gas relative to other energy sources, opportunities for natural gas as a result of the deregulation of the electrical generating industry and natural gas' favorable position with regard to the anticipated decommissioning of a number of nuclear power plants. Natural gas prices, however, remained volatile during 1996, especially during the first and fourth quarters. Cold winter weather coupled with low storage levels contributed to regional price imbalances.

The Company's domestic natural gas reserve base and production is concentrated in its Mid-continent division (Midgard), which encompasses Anadarko Basin production in the Texas Panhandle and western Oklahoma areas. The Company's Sunray gas plant is located in Moore County, Texas and is directly connected to three major interstate pipelines. This multiple pipeline access provides the Company with the ability to maximize the value of natural gas from this plant.

During 1996, the Company elected to decrease emphasis on its national natural gas marketing efforts to local distribution companies, industrial customers and utility companies due to the decline in value associated with the services demanded by these markets and the increased cost and investment required in providing those services. The Company has instead elected to pursue an arrangement to sell a portion of its gas to a larger natural gas marketing concern at a price competitive with prices received in direct marketing without the cost and investment associated with direct marketing. The Company continues to emphasize its natural gas sales for agricultural purposes and for supply to local area markets. Approximately 15% of the Company's natural gas sales in 1996 were made directly to local gas distribution companies and industrial and agricultural users through term contracts, and the remaining 85% was sold on the spot market.

The Company sells crude oil, natural gas and natural gas liquids to an assortment of customers including refinery, industrial and agricultural type customers. Oil and gas are commodities and the Company's production represents only a small fraction of the total market for these products. As a result, the prices the Company receives depend primarily on the relative balance between supply and demand for these products.

The world oil market continues to be subject to uncertainty. World crude supplies during 1996 were tighter than most analysts had predicted and consequently prices were higher. The Iraqi "oil for food" sales were

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repeatedly delayed and non-OECD demand was consistently underestimated. The prospect of Iraqi sales depressed the medium term futures prices relative to the short term, discouraging refiners from holding inventory. The lack of inventory, in turn, contributed to increased price volatility. Limited Iraqi sales returned in December 1996 and North Sea production is currently at record high levels. Prices declined during the first quarter of 1997 and are expected to continue to be volatile in the near future.

#### Health, Safety and Environmental Controls

Federal, state and local laws and regulations relating to health and environmental quality in the United States, as well as environmental laws and regulations of other countries in which the Company operates, affect nearly all of the operations of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish in certain circumstances remedial obligations. In addition, especially stringent measures and special provisions may be appropriate or required in environmentally sensitive foreign areas of operation, such as those in Ecuador.

Many of the Company's United States operations are subject to requirements of the Safe Drinking Water Act, the Clean Water Act, the Clean Air Act (as amended in 1990), the Occupational Safety and Health Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended



("CERCLA"), and other federal, as well as state, laws. Such laws address, among other things, limits on the discharge of wastes associated with oil and gas operations, investigation and clean-up of hazardous substances, and workplace safety and health. In addition, these laws typically require compliance with associated regulations and permits and provide for the imposition of penalties for noncompliance. The Clean Air Act Amendments of 1990 may benefit the Company's business by increasing the demand for natural gas as a clean fuel. CERCLA imposes retroactive liability upon certain parties for the response costs associated with cleaning up old hazardous substance sites. CERCLA liability to the Government is joint and several. CERCLA allows authorized trustees to seek recovery of natural resource damages from potentially responsible parties. CERCLA also grants the Government the authority to require potentially responsible parties to implement interim remedies to abate an imminent and substantial endangerment to the environment.

The Company believes that its policies and procedures in the area of pollution control, product safety and occupational health are adequate to prevent unreasonable risk of environmental and other damage, and of resulting financial liability, in connection with its business. Some risk of environmental and other damage is, however, inherent in particular operations of the Company and, as discussed below, the Company has certain potential liabilities associated with former operations. The Company cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies, could in the future require material expenditures by the Company for the installation and operation of systems and equipment for remedial measures and in certain other respects. Such potential expenditures cannot be reasonably estimated.

In connection with the sale of the Company's former chemical subsidiary, Diamond Shamrock Chemicals Company ("Chemicals"), to Occidental Petroleum Corporation ("Occidental") in 1986, the Company agreed to indemnify Chemicals and Occidental from and against certain liabilities relating to the business or activities of Chemicals prior to the September 4, 1986 closing date (the "Closing Date"), including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date.

In addition, the Company agreed to indemnify Chemicals and Occidental for 50% of certain environmental costs incurred by Chemicals for which notice is given to the Company within 10 years after the Closing Date on projects involving remedial activities relating to chemical plant sites or other property used in the conduct of the business of Chemicals as of the Closing Date and for any period of time following the Closing Date, with the Company's aggregate exposure for this cost sharing being limited to \$75 million. The total expended by the Company under this cost sharing arrangement was about \$42 million as of December 31, 1996. Occidental

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Chemical Corporation ("OxyChem"), a subsidiary of Occidental, and Henkel Corporation ("Henkel"), an assignee of certain of Occidental's rights and obligations, filed a declaratory judgment action in Texas state court with respect to the Company's agreement in this regard. The lower court found in favor of Occidental and Henkel, and the Company has appealed the judgment. (See "Item 3. Legal Proceedings".)

In connection with the spin-off of Diamond Shamrock R&M, Inc., now known as Ultramar Diamond Shamrock Corporation ("DSI"), in 1987, the Company and DSI agreed to share the costs of losses (other than product liability) relating to businesses disposed of prior to the spin-off, including Chemicals. Pursuant to this cost-sharing agreement, the Company bore the first \$75 million of such costs and DSI bore the next \$37.5 million. Thereafter, such ongoing costs were borne one-third by DSI and two-thirds by the Company until DSI had borne an additional \$47.5 million. As of December 31, 1996, DSI had fulfilled its remaining responsibility under the cost-sharing arrangement, and it has no further obligation thereunder.

During 1996, the Company spent \$8 million in environmental related expenditures in its oil and gas operations. Expenditures for 1997 are expected to be approximately \$13 million.

For the seven months ended July 31, 1996, the Company's total expenditures for environmental compliance for disposed of businesses, including Chemicals, were approximately \$13 million, \$5 million of which was recovered from DSI under the above described cost-sharing arrangement.

At December 31, 1996, reserves for environmental contingencies discussed herein totaled \$101.6 million. Management believes it has adequately reserved for all environmental contingencies which are probable and can be reasonably estimated; however, changes in circumstances could result in changes, including additions, to such reserves in the future.

The Company transferred certain liabilities related to environmental matters to CLH effective as of August 1, 1996. In connection with this transfer, CLH assumed (the "Assumption") the liabilities so transferred and YPF committed to contribute capital to CLH up to an amount of \$106.9 million that will enable CLH to satisfy its obligations under the Assumption based on the Company's reserves established in respect of the assumed liabilities as of July 31, 1996 plus certain operating expenses budgeted by CLH from time to time. YPF will not be obligated to contribute capital to CLH beyond the amount of its initial undertaking. The Company will remain responsible for any obligations assumed by CLH in the event CLH does not perform or fulfill such obligations. The environmental contingencies discussed herein and the declaratory judgment action filed by OxyChem and Henkel are among the matters for which CLH has assumed responsibility, and the Company transferred to CLH its then remaining rights to recover costs under the arrangement with DSI. The contribution obligation of YPF related to the Assumption was reflected on the Company's financial statements as a long-term and short-term funding guarantee from parent totaling \$106.9 million, an increase to deferred income taxes of \$37.4 million and an increase to paid-in capital of \$69.5 million. At December 31, 1996, the outstanding funding guarantee totaled \$102.6 million. Insofar as CLH has assumed the Company's environmental liabilities and YPF has committed to pay for the liabilities, such liabilities are not expected to have an adverse impact on the financial reporting books of the Company.

The insurance companies that wrote Chemicals' and the Company's primary and excess insurance during the relevant periods have to date refused to provide coverage for most of Chemicals' or the Company's cost of the personal injury and property damage claims related to environmental claims, including remedial activities at chemical plant sites and disposal sites. In two actions filed in New Jersey state court, the Company has been conducting litigation against all of these insurers for declaratory judgments that it is entitled to coverage for certain of these claims. In 1989, the trial judge in one of the New Jersey actions ruled that there is no insurance coverage with respect to the claims related to the Newark plant (discussed below). The trial court's decision was upheld on appeal and that action is now ended. The other suit, which is pending, covers disputes with respect to insurance coverage related to certain other environmental matters. The Company has entered into settlement

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agreements with certain of the insurers in this second suit, the terms of which are required to be held confidential. The Company also is engaged in settlement discussions with other defendant insurers; however, there can be no assurance that such discussions will result in settlements with such other insurers.

Newark, New Jersey. A consent decree, previously agreed upon by the U.S. Environmental Protection Agency (the "EPA"), the New Jersey Department of Environmental Protection and Energy (the "DEP") and Occidental, as successor to Chemicals, was entered in 1990 by the United States District Court of New Jersey and requires implementation of a remedial action plan at Chemicals' former Newark, New Jersey agricultural chemicals plant. Engineering for such plan, which will include an engineering estimate of the cost of construction, is progressing. Construction is expected to begin in late 1997 or in 1998, cost approximately \$23 million and take three to four years to complete. The work is being supervised and paid for by CLH on behalf of the Company pursuant to the Assumption and under the Company's above described indemnification obligation to Occidental. The Company has reserved the estimated costs of performing the remedial action plan and required ongoing maintenance costs.

Studies have indicated that sediments of the Newark Bay watershed, including the Passaic River adjacent to the plant, are contaminated with hazardous chemicals from many sources. These studies suggest that the older and more contaminated sediments located adjacent to the Newark plant generally are buried under more recent sediment deposits. The Company, on behalf of Occidental, negotiated an agreement with the EPA under which CLH, on the Company's behalf, is conducting further testing and studies to characterize contaminated sediment and biota in a six-mile portion of the Passaic River near the plant site. The stability of the sediments in the entire six-mile portion of the Passaic River study area is also being examined as a part of CLH's studies. The Company currently expects the testing and studies to be completed in 1999 and cost from \$4 million to \$6 million after December 31, 1996. The Company has reserved for the amount of its estimate of the remaining

costs to be incurred in performing the studies. The Company and later CLH have been conducting similar studies under their own auspices for several years. Until these studies are completed and evaluated, the Company cannot reasonably forecast what regulatory program, if any, will be proposed for the Passaic River or the Newark Bay watershed and therefore cannot estimate what additional costs, if any, will be required to be incurred. However, it is possible that additional work, including interim remedial measures, may be ordered with respect to the Passaic River.

Hudson County, New Jersey. Until 1972, Chemicals operated a chromium ore processing plant at Kearny, New Jersey. According to the DEP, wastes from these ore processing operations were used as fill material at a number of sites in and near Hudson County.

As a result of negotiations between the Company (on behalf of Occidental) and the DEP, Occidental signed an administrative consent order with the DEP in 1990 for investigation and remediation work at certain chromite ore residue sites in Kearny and Secaucus, New Jersey. The work is presently being performed by CLH on behalf of the Company and Occidental, and CLH is funding Occidental's share of the cost of investigation and remediation of these sites. The Company is currently providing financial assurance for performance of the work in the form of a self-guarantee in the amount of \$20 million subject to the Company's continuing ability to satisfy certain financial tests specified by the State. This financial assurance may be reduced with the approval of the DEP following any annual cost review. While the Company and CLH have participated in the cost of studies and CLH is implementing interim remedial actions and conducting remedial investigations and feasibility studies, the ultimate cost of remediation is uncertain. The Company anticipates CLH will submit its remedial investigation and feasibility study report to the DEP in 1997. The results of the DEP's review of this report could increase the cost of any further remediation that may be required. The Company has reserved its best estimate of the remaining cost to perform the investigations and remedial work as being approximately \$47 million at December 31, 1996. In addition, the DEP has indicated that it expects Occidental and the Company to participate with the other chromium manufacturers in the funding of certain remedial activities with respect to a number of so-called "orphan" chrome sites located in Hudson County, New Jersey. Occidental and the Company have declined participation as to those sites for which there is no evidence of the presence of residue generated by Chemicals. The Governor of New Jersey issued an Executive Order requiring state agencies to provide specific justification for any state requirements more stringent than federal requirements. The DEP has indicated that it

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may be revising its soil action level upwards towards the higher soil screening levels proposed by the EPA in 1994.

Painesville, Ohio. From about 1912 through 1976, Chemicals operated manufacturing facilities in Painesville, Ohio. The operations over the years involved several discrete but contiguous plant sites over an area of about 1,300 acres. The primary area of concern historically has been Chemicals' former chromite ore processing plant (the "Chrome Plant"). For many years, the site of the Chrome Plant has been under the administrative control of the EPA pursuant to an administrative consent order under which Chemicals is required to maintain a clay cap over the site and to conduct certain ground water and surface water monitoring. Many other sites have previously been clay-capped and one specific site, which was a waste disposal site from the mid-1960s until the 1970s, has been encapsulated and is being controlled and monitored. In 1995, the Ohio Environmental Protection Agency (the "OEPA") issued its Directors' Final Findings and Order (the "Director's Order") by consent ordering that a remedial investigation and feasibility study (the "RIFS") be conducted at the former Painesville plant area. The Company has agreed to participate in the RIFS as required by the Director's Order. It is estimated that the total cost of performing the RIFS will be \$5 million to \$8 million over the next three years. In spite of the many remedial, maintenance and monitoring activities performed, the former Painesville plant site has been proposed for listing on the National Priority List under CERCLA; however, the EPA has stated that the site will not be listed so long as it is satisfactorily addressed pursuant to the Director's Order and OEPA's programs. The Company has reserved for the amount of its estimated share of the cost to perform the RIFS. The scope and nature of any further investigation or remediation that may be required cannot be determined at this time; however, as the RIFS progresses, the Company will continuously assess the condition of the Painesville plant site and make any changes, including additions, to its reserve as may be required. The Company's obligations regarding the Chrome Plant described above have been assumed by CLH pursuant to the Assumption.

Other Former Plant Sites. Environmental remediation programs are in place at all other former plant sites where material remediation is required in the opinion of the Company. Former plant sites where remediation has been completed are being maintained and monitored to insure continued compliance with applicable laws and regulatory programs. The Company has reserved for its estimated costs related to these sites, none of which individually is material.

Third Party Sites. Chemicals has also been designated as a potentially responsible party ("PRP") by the EPA under CERCLA with respect to a number of third party sites, primarily off of Chemicals' properties, where hazardous substances from Chemicals' plant operations allegedly were disposed of or have come to be located. Numerous PRPs have been named at substantially all of these sites. At several of these, Chemicals has no known exposure. Although PRPs are almost always jointly and severally liable for the cost of investigations, cleanups and other response costs, each has the right of contribution from other PRPs and, as a practical matter, cost sharing by PRPs is usually effected by agreement among them. Accordingly, the ultimate cost of these sites and Chemicals' share of the costs thereof cannot be estimated at this time, but are not expected to be material except possibly as a result of the matters described below. The matters described below are among those for which CLH has assumed responsibility under the Assumption.

1. Fields Brook; Ashtabula, Ohio. At the time that Chemicals was sold to Occidental, Chemicals operated a chemical plant at Ashtabula, Ohio which is adjacent to Fields Brook. Occidental has continued to operate the Ashtabula plant. In 1986, Chemicals was formally notified by the EPA that it was a PRP for the Fields Brook site. The site is defined as Fields Brook, its tributaries and surrounding areas within the Fields Brook watershed. At least 15 other parties are presently considered to be financially responsible PRPs. In 1986, the EPA estimated the cost of sediment remediation at the site would be \$48 million. The PRPs, including Occidental, have developed an allocation agreement for sharing the costs of the work in Fields Brook ordered by the EPA. Under the allocation, the Occidental share for Chemicals' ownership of the Ashtabula plant would be about five percent of the total, assuming all viable PRPs were to participate.

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In 1990, the OEPA, as state trustee for natural resources under CERCLA, advised previously identified PRPs, including Chemicals, that the OEPA intended to conduct a Natural Resource Damage Assessment of the Fields Brook site to calculate a monetary value for injury to surface water, groundwater, air, and biological and geological resources at the site. Also, although Fields Brook empties into the Ashtabula River which flows into Lake Erie, it is not known to what extent, if any, the EPA will propose remedial action beyond Fields Brook for which the Fields Brook PRPs might be asked to bear some share of the costs. Until all preliminary studies and necessary governmental actions have been completed and negotiated or judicial allocations have been made, it is not possible for the Company to estimate what the response costs, response activities or natural resource damages, if any, may be for Fields Brook or related areas, the parties responsible therefore or their respective shares.

It is the Company's position that costs attributable to the Ashtabula plant fall under the Company's above-described cost sharing arrangement with Occidental under which the Company bears one-half of certain costs up to an aggregate dollar cap. Occidental, however, has contended that it is entitled to full indemnification from the Company for such costs, and the outcome of this dispute cannot be predicted. The Company has reserved its estimate of its share of potential cleanup costs based on the assumption that this site falls under the Occidental cost sharing arrangement.

2. SCP/Carlstadt Site; Carlstadt, New Jersey. Chemicals' share of remediation costs at this CERCLA site would be approximately one percent, based on relative volume of waste shipped to the site. An interim remedy has now been implemented at the site by the PRPs but no estimate can be made at this time of ultimate costs of remediation which may extend to certain off-site locations.

3. Chemical Control Site; Elizabeth, New Jersey. The PRPs and the EPA have settled the federal claims for cost recovery and site remediation, and remediation is now complete. The DEP has demanded of PRPs (including Chemicals) reimbursement of the DEP's alleged \$34 million (including interest through December 31, 1995) in past costs for its partial cleanup of this site. Based on the previous allocation formula, it is expected that Chemicals' share of any money paid to the DEP for its claim would be approximately two percent.

The Company has fully reserved its estimated liability for this site.

#### Employees

As of December 31, 1996, the Company had approximately 2,027 employees.

#### ITEM 3. LEGAL PROCEEDINGS.

In 1995, OxyChem filed suit in Texas state court seeking a declaration of certain of the parties' rights and obligations under the sales agreement pursuant to which the Company sold Chemicals to Occidental. Henkel joined in said lawsuit as a plaintiff in January 1996. Specifically, OxyChem and Henkel are seeking a declaration that the Company is required to indemnify them for 50% of certain environmental costs incurred on projects involving remedial activities relating to chemical plant sites or other property used in connection with the business of Chemicals on the Closing Date which relate to, result from or arise out of conditions, events or circumstances discovered by OxyChem or Henkel and as to which the Company is provided written notice by OxyChem or Henkel prior to the expiration of ten years following the Closing Date, irrespective of when OxyChem or Henkel incurs and gives notice of such costs, subject to an aggregate \$75 million cap. The court denied the Company's motion for summary judgment and granted OxyChem's and Henkel's joint motion for summary judgment, thereby granting OxyChem and Henkel the declaration they sought. The Company believes the court's orders are erroneous and has appealed.

The Company has established reserves based on its 50% share of remaining costs expected to be paid or incurred by OxyChem and Henkel prior to September 4, 1996, the tenth anniversary of the Closing Date. As of December 31, 1996, the Company and CLH on its behalf had paid OxyChem and Henkel a total of approximately \$42 million against the \$75 million cap and, based on OxyChem's and Henkel's historical annual expenditures,

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the Company had approximately \$4 million reserved. The Company cannot predict with any certainty what portion of the approximately \$29 million unreserved portion of the \$33 million amount remaining at December 31, 1996, OxyChem and Henkel may incur; however, OxyChem and Henkel have asserted in court that the entire amount will be spent. In the event that the Company does not prevail in its appeal, it could be required to pay up to approximately \$29 million in additional costs which have not been reserved related to this indemnification. CLH has assumed, pursuant to the Assumption, responsibility for this litigation.

See also the heading "Health, Safety and Environmental Controls" under "Items 1 and 2. Business and Properties" of this report for a description of certain other legal proceedings, which description is incorporated herein by reference.

The Company is involved in various other legal proceedings incidental to its business, the outcome of any of which should not have a material adverse effect on its financial position.

#### ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS.

Inapplicable.

#### PART II

#### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

There is no established public trading market for the Common Stock. At March 1, 1997, YPF was the sole holder of record of the Common Stock.

Midgard, a subsidiary of the Company, is party to a credit agreement which places certain restrictions on its ability to make or declare certain payments, advances and loans specified therein, including dividends to the Company. (For a further description of such credit agreement, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Significant Events 1995".) While these restrictions could impact the ability of the Company to pay dividends on its Common Stock, the Company has paid no such dividends since 1987, and cash flows are currently being dedicated to exploration and development projects rather than to such payment. The Company intends to continue paying regular quarterly dividends on its only other equity issue currently outstanding, the \$2.50 Preferred Stock.

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## ITEM 6. SELECTED FINANCIAL DATA.

FIVE-YEAR FINANCIAL SUMMARY  
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

&lt;TABLE&gt;

&lt;CAPTION&gt;

	1996	NINE MONTHS ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATIONS						
Sales and operating revenues.....	\$ 718.0	\$ 463.8	\$ 142.5	\$ 682.1	\$ 786.7	\$ 718.4
Net income (loss) before extraordinary item and cumulative effect of change in accounting principle.....	20.6	(73.7)	(56.9)	(22.7)	(37.9)	74.2
Extraordinary item.....	(5.6)				(7.1)	
Cumulative effect of change in accounting principle.....					(4.4)	
Net income (loss).....	\$ 15.0	\$ (73.7)	\$ (56.9)	\$ (22.7)	\$ (49.4)	\$ 74.2
FINANCIAL POSITION						
Current assets.....	\$ 314.7	\$ 266.4	\$ 394.6	\$ 441.9	\$ 404.7	\$ 391.2
Current liabilities.....	354.8	306.4	224.3	171.0	263.4	327.9
Properties and equipment, less accumulated depreciation, depletion and amortization.....	2,022.2	2,363.6	1,110.7	1,088.4	1,305.6	1,138.3
Total assets.....	2,456.5	2,716.8	1,692.1	1,706.7	1,987.4	1,811.6
Long-term debt, including current portion.....	1,270.7	1,295.5	975.6	975.6	1,055.1	829.4
Deferred income taxes...	502.7	551.2	199.7	199.3	198.3	152.9
Redeemable preferred stock.....	62.5	125.0	125.0	125.0	250.0	250.0
Stockholders' equity....	148.9	240.0	13.5	91.1	147.9	171.6
OTHER DATA						
Expenditures for properties and equipment--including dry hole costs.....	\$ 203.3	\$ 137.4	\$ 53.6	\$ 166.2	\$ 340.0	\$ 261.1
Total exploration and development expenditures (whether capitalized or expensed).....	219.0	165.5	60.6	197.1	376.8	256.7
Preferred dividends paid.....	27.4	28.8	9.6	43.6	41.7	41.7
Depreciation, depletion and amortization.....	168.9	142.1	29.9	140.2	153.6	174.4
PER COMMON SHARE						
Net income (loss) before extraordinary item and cumulative effect of change in accounting principle.....	\$	\$	\$ (0.49)	\$ (0.49)	\$ (0.60)	\$ 0.27
Extraordinary item.....					(0.05)	
Cumulative effect of change in accounting principle.....					(0.03)	
Net income (loss).....	\$	\$	\$ (0.49)	\$ (0.49)	\$ (0.68)	\$ 0.27

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## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

## Significant Events 1996

On June 18, 1996, Maxus Energy Corporation (the "Company" or "Maxus") announced a reorganization which included the sale of three of its subsidiaries holding certain Bolivian and Venezuelan assets to YPF Sociedad Anonima ("YPF"), the redemption of the outstanding shares of \$4.00 Cumulative Convertible Preferred Stock (the "\$4.00 Preferred Stock") and the transfer to a YPF subsidiary of a Maxus subsidiary that assumed certain liabilities related to environmental matters.

On July 1, 1996, Maxus International Energy Company ("Seller"), a wholly owned subsidiary of Maxus, sold all of the issued and outstanding shares of capital stock of its wholly owned subsidiary, YPF International Ltd. ("International"), to YPF, pursuant to a Stock Purchase and Sale Agreement by and between YPF and Seller. The sole assets of International at the time of the transaction were all of the issued and outstanding shares of capital stock of Maxus Bolivia, Inc. ("Maxus Bolivia"), Maxus Venezuela (C.I.) Ltd. ("Venezuela C.I.") and Maxus Venezuela S.A. ("Venezuela S.A."). The assets of Maxus Bolivia consisted of all of the former assets and operations of Maxus in Bolivia, including the interests of Maxus in the Surubi Field and Secure and Caipipendi Blocks. The assets of Venezuela C.I. and Venezuela S.A. consisted of all of the former assets and operations of Maxus in Venezuela, except those held through Maxus Guarapiche Ltd. ("Maxus Guarapiche"), including the interests of Maxus in the Quiriquire Unit.

The purchase price for the outstanding shares of capital stock of International was \$256.2 million which represented the carrying amount of International on the financial reporting books of Seller as of June 30, 1996. Maxus used the proceeds from this transaction for general corporate purposes, including the redemption of its \$4.00 Preferred Stock, which is discussed below.

While not a part of the above-described sale transaction, effective September 1, 1996, Seller sold all of the capital stock of Maxus Guarapiche to International for \$25 million which represented the carrying amount of Maxus Guarapiche on the financial reporting books of Seller as of August 31, 1996. Maxus Guarapiche had a 25% interest in the Guarapiche Block, an exploration block, in Venezuela.

Also as part of the general reorganization, on August 13, 1996 Maxus redeemed all of its outstanding shares of \$4.00 Preferred Stock at a price of \$50 per share plus accrued and unpaid dividends (approximately \$221 million in the aggregate). The excess of the redemption price over the carrying value of the \$4.00 Preferred Stock resulted in an increase in the Company's accumulated deficit of \$214 million. The Company used a portion of the proceeds from the sale of all of the issued and outstanding shares of capital stock of International as well as an advance from an indirect, wholly owned subsidiary of YPF, YPF Holdings, Inc. ("Holdings"), of approximately \$56 million to redeem the \$4.00 Preferred Stock.

As a further part of the reorganization, the Company transferred certain liabilities related to environmental matters to Chemical Land Holdings, Inc. ("CLH"), an indirect subsidiary of YPF, effective as of August 1, 1996. In connection with this transfer, CLH assumed (the "Assumption") the liabilities so transferred and YPF committed to contribute capital (the "Contribution Agreement") to CLH up to an amount of \$107 million that will enable CLH to satisfy its obligations under the Assumption based on the Company's reserves established in respect of the assumed liabilities as of July 31, 1996 plus certain operating expenses budgeted by CLH from time to time. YPF will not be obligated to contribute capital to CLH beyond the amount of its initial undertaking. The Company will remain responsible for any obligations assumed by CLH in the event CLH does not perform or fulfill such obligations. CLH has assumed responsibility for, among other things, the environmental contingencies discussed in "Environmental Matters" below and a declaratory judgment action discussed in "Legal Proceedings" below, and the Company transferred to CLH its remaining rights to recover costs under a cost-sharing arrangement with Ultramar Diamond Shamrock Corporation.

The contribution obligation of YPF related to the Assumption was reflected on the Company's financial statements as a long-term and short-term funding guarantee from parent totaling \$107 million, an increase to

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deferred income taxes of \$37 million and an increase to paid-in capital of \$70 million. At December 31, 1996, the outstanding funding guarantee totaled \$103 million. Insofar as CLH has assumed the Company's environmental liabilities and YPF has committed to pay for the liabilities, such liabilities are not

expected to have an adverse impact on the financial reporting books of the Company.

Under the terms of the Contribution Agreement, Maxus agreed that any contributions to the equity capital of CLH by YPF shall reduce the obligation of YPF to capitalize Maxus pursuant to the Agreement of Merger ("Merger Agreement"). During 1996, YPF made capital contributions of \$8 million to CLH.

Effective August 13, 1996, YPF transferred ownership of its shares of the Company's Common Stock to Holdings.

#### Significant Events 1995

On June 8, 1995, a special meeting of the stockholders of the Company was held to approve the Merger Agreement dated February 28, 1995, between the Company, YPF Acquisition Corp. ("YPFA Corp.") and YPF. The holders of the Company's common stock, \$1.00 par value per share (the "Shares" or "Common Stock"), and \$4.00 Preferred Stock (together with the Shares, the "Voting Shares") approved the Merger Agreement, and YPFA Corp. was merged into the Company (the "Merger") on June 8, 1995 (the "Merger Date").

The Merger was the consummation of transactions contemplated by a tender offer (the "Offer") which was commenced on March 6, 1995 by YPFA Corp. for all the outstanding Shares at \$5.50 per Share. Pursuant to the Offer, in April 1995 YPFA Corp. acquired 120,000,613 Shares representing approximately 88.5% of the then-outstanding Shares of the Company. As a result of the Merger, each outstanding Share (other than Shares held by the YPFA Corp., YPF or any of their subsidiaries or in the treasury of the Company, all of which were canceled in the second quarter of 1995, and Shares of holders who perfected their appraisal rights under Section 262 of the Delaware General Corporation Law) was converted into the right to receive \$5.50 in cash, and YPF became the sole holder of all outstanding Shares.

The total amount of funds required by YPFA Corp. to acquire the entire common equity interest in the Company, including the purchase of Shares pursuant to the Offer and the payment for Shares converted into the right to receive cash pursuant to the Merger, was approximately \$762 million. In addition, YPFA Corp. assumed all outstanding obligations of the Company. On April 5, 1995, YPFA Corp. entered into a credit agreement with lenders for which The Chase Manhattan Bank (National Association) ("Chase") acted as agent, pursuant to which the lenders extended to YPFA Corp. a credit facility for up to \$550 million (the "Purchaser Facility"). On April 5, 1995, YPFA Corp. borrowed \$442 million under the Purchaser Facility and received a capital contribution of \$250 million from YPF. YPFA Corp. used borrowings under the Purchaser Facility and the funds contributed to it by YPF to purchase 120,000,613 Shares pursuant to the Offer. Subsequent to the Merger, these Shares and all other outstanding Shares vested in YPF.

Effective April 1, 1995, the Company used the purchase method to record the acquisition of the Company by YPF. In a purchase method combination, the purchase price is allocated to the acquired assets and assumed liabilities based on their fair values at the date of acquisition. As a result, the assets and liabilities of the Company were revalued to reflect the approximate \$762 million cash purchase price paid by YPF to acquire the Company. The Company's oil and gas properties were assigned carrying amounts based on their relative fair market values.

Following the Merger, Chase provided two additional credit facilities aggregating \$425 million: (i) a credit facility of \$250 million (the "Midgard Facility") extended to Midgard Energy Company, a wholly owned subsidiary of the Company, and (ii) a credit facility of \$175 million (the "Indonesian Facility") extended to Maxus Indonesia, Inc., a wholly owned subsidiary of the Company. The proceeds of the loans made pursuant to these facilities were used to repay, in part, the Purchaser Facility, which was assumed by the Company pursuant to the Merger. In addition, the Company applied \$8 million of its available cash to repay the Purchaser Facility and used approximately \$86 million of its available cash to pay holders of Shares converted into the right to

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receive cash in the Merger. In December 1996, International, the parent of Holdings, loaned the Company approximately \$175 million to repay the Indonesian Facility.

#### Significant Events 1994

Maxus responded to many financial and operational challenges in 1994 which



culminated with the Company's agreement to merge with YPF in 1995.

Financially, significant natural gas and crude oil price declines in 1994 contributed to Maxus' decision to streamline operations by decreasing overhead and operating expenses, lowering program spending and redeeming certain preferred stock. During the second quarter of 1994, the Company also sold its interest in Diamond Shamrock Offshore Partners Limited Partnership ("Offshore Partners") and certain producing oil and gas properties in Maxus' U.S. Southern Division for \$325 million net (the "Divested Properties"). Additionally, the Company sold its geothermal subsidiary, Thermal Power Company, for approximately \$58 million net in cash and a note for \$6.5 million. A portion of the proceeds from these sales was used to reduce debt and redeem 625,000 shares of the \$9.75 Preferred Stock for \$63 million.

Operationally, the Company initiated production from all three of Maxus' South American operations--Ecuador, Bolivia and Venezuela. The Sunray gas plant experienced its first full year of operation and achieved the operating efficiencies and cost savings (approximately \$14 million annually) that had been anticipated. Additionally, net production from the Northwest Java gas project averaged approximately 44 million cubic feet per day ("mmcfpd") during 1994, resulting in \$30 million of additional revenues.

#### Results for the Twelve Months Ended December 31, 1996

For the twelve months ended December 31, 1996, Maxus reported net income of \$15 million. During 1996, performance improved as higher crude oil, natural gas and natural gas liquids ("NGL") prices, higher natural gas sales volumes and lower costs more than offset higher income taxes resulting from higher operating income. Comparative information for the twelve months ended December 31, 1995 is not presented due to the Merger with YPF which was effective April 1, 1995.

**Sales and Operating Revenues.** Sales and operating revenues for the twelve months ended December 31, 1996 were \$718 million composed of \$404 million from Maxus' Indonesian operations, \$233 million from U.S. operations and \$81 million from South American operations.

Maxus' net worldwide crude oil sales volumes averaged 59 thousand barrels per day ("mbpd") during the twelve-month period ended December 31, 1996, which were comprised of 44 mbpd from Maxus' Indonesian operations, 14 mbpd from South American operations and one mbpd from U.S. operations. Maxus' net worldwide crude oil sales volumes declined four mbpd from an average of 63 mbpd during the twelve months ended December 31, 1995 due primarily to lower net crude oil sales in Indonesia. In Northwest Java, 1996 average net crude oil sales declined four mbpd compared to the same period last year due to natural declines in gross crude oil production and lower cost recovery. In Southeast Sumatra, 1996 average net crude oil sales declined six mbpd compared to the same period in 1995 due primarily to lower cost recovery. During 1996, natural declines in gross crude oil production in Southeast Sumatra were offset by new crude oil production resulting from the introduction of horizontal well technology and use of high volume electrical submersible pumps combined with an active drilling program. Partially offsetting the overall decline in Indonesia, average net crude oil sales in South America increased five mbpd from nine mbpd in 1995. In Ecuador, 1996 average net crude oil sales of 10 mbpd were two mbpd higher than 1995 primarily as a result of crude oil production from the Amo, Iro, Ginta and Diam fields. Although Maxus owned an interest in its Bolivian operations for only six months in 1996, average net crude oil sales increased three mbpd from one mbpd for the year ended December 31, 1995 due primarily to the sale of approximately nine months of crude oil inventory to the Bolivian Government during the first quarter of 1996. During the twelve months ended December 31, 1996, Maxus' average worldwide crude oil price of \$19.22 per barrel ("bbl") increased \$2.77 per bbl from \$16.46 per bbl in 1995.

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During the twelve months ended December 31, 1996, average U.S. natural gas sales volumes of 182 mmcfpd increased 11 mmcfpd over the same period a year ago. Continued successful Midgard infill drilling more than offset natural declines from the area during 1996. In the next several years, Maxus expects its Midgard infill drilling program to continue to offset any natural declines. Average U.S. natural gas prices rose significantly, from \$1.48 per thousand cubic feet ("mcf") in 1995 to \$1.96 per mcf 1996, although this price increase was net of losses of \$13 million on natural gas price swap agreements and futures contracts. In Northwest Java, 1996 average net natural gas sales volumes of 69 mmcfpd increased 13 mmcfpd compared to the same period last year as a result of higher natural gas production in connection with new natural

gas sales contracts as well as increased demand from existing contracts. Average Northwest Java natural gas prices rose slightly, from \$2.63 per mcf in 1995 to \$2.65 per mcf in 1996.

Average 1996 net NGL sales volumes in the U.S. of 19 mbpd were relatively flat compared to the same period last year. Annual 1996 average U.S. NGL prices increased from \$10.46 per bbl in 1995 to \$13.23 per bbl in 1996, although this price increase was net of losses of \$10 million on NGL price swap agreements.

**Costs and Expenses.** Costs and expenses were \$640 million during the twelve months ended December 31, 1996. Costs and expenses during this period included operating expenses of \$202 million; gas purchase costs of \$74 million; exploration expenses of \$35 million; depreciation, depletion and amortization ("DD&A") of \$169 million; interest and debt expenses of \$135 million and other costs and expenses totaling \$25 million.

DD&A of \$169 million during the twelve-month period ended December 31, 1996, included \$43 million of additional DD&A reflecting the impact of the 1995 purchase price allocation which increased the book value of the Company's oil and gas properties and equipment.

In the twelve-month period ended December 31, 1996, interest and debt expenses of \$135 million included \$31 million of interest expense associated with the Midgard and Indonesian credit facilities. Also included in interest and debt expenses during this period was \$9 million of interest associated with the accretion of discount on the Company's long-term debt which was outstanding prior to the Merger. In 1995, these borrowings were recorded at their fair market value in the purchase method of accounting which resulted in a reduction in their carrying value of \$115 million. This reduction in carrying value will continue to be amortized to interest expense over the remaining term of the borrowings.

**Other Revenues, Net.** For the twelve months ended December 31, 1996, other revenues, net of \$20 million included interest income, a refund from the United Mine Workers Association Combined Benefit Fund of assessments stemming from a discontinued business and litigation proceeds partially offset by a net loss on the sale of fixed assets, a contract signing bonus in Ecuador (See "Future Outlook" below), a performance bonus paid to all Company employees in connection with an incentive program designed to improve the Company's financial performance and certain other miscellaneous expenses.

**Income Taxes.** Income tax expense of \$78 million for the twelve-month period ended December 31, 1996, included \$99 million of current income tax expense primarily from Indonesian operations partially offset by a \$21 million deferred tax benefit due primarily to the higher DD&A associated with the increase in book value of the Company's oil and gas properties and equipment as a result of the purchase price allocation in 1995. In the future, the Company expects to realize additional deferred tax benefits as a result of the higher DD&A.

**Extraordinary Item.** In December 1996, the Company used the proceeds of a \$175 million loan from International to repay the Indonesian Facility. Unamortized debt issue costs associated with this early retirement were recorded as an extraordinary loss of \$6 million, net of taxes. The tax impact of this transaction was less than \$.1 million.

#### Results for the Nine Months Ended December 31, 1995

For the nine months ended December 31, 1995, Maxus reported a net loss of \$74 million. Comparative information for the nine months ended December 31, 1994, is not presented due to the Merger with YPF which was effective April 1, 1995.

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**Sales and Operating Revenues.** Sales and operating revenues for the nine months ended December 31, 1995, were \$464 million composed of \$298 million from Maxus' Indonesian operations, \$129 million from U.S. operations and \$37 million from South American operations.

Maxus' net worldwide crude oil sales volumes averaged 64 mbpd during the nine-month period ended December 31, 1995, which were comprised of 53 mbpd from Maxus' Indonesian operations, 10 mbpd from South American operations and one mbpd from U.S. operations. Maxus' net worldwide crude oil sales volumes increased from an average of 60 mbpd in the third quarter of 1995 to an average of 73 mbpd in the fourth quarter of 1995 due primarily to the recognition of cumulative year-to-date production from the Southern Amo Field

in Ecuador in the fourth quarter of 1995 as this production had not previously been approved by the Ecuadorian government, and the sole crude oil sale in Bolivia in October 1995. Despite natural declines in gross crude oil production in Indonesia over the nine months ended December 31, 1995, Indonesian crude oil sales volumes increased slightly due primarily to higher cost recovery. During the nine months ended December 31, 1995, Maxus' average worldwide crude oil price was \$16.31 per bbl.

During the nine-month period ended December 31, 1995, U.S. net natural gas sales volumes averaged 172 mmcfpd and U.S. natural gas prices averaged \$1.49 per mcf. Although U.S. natural gas sales volumes remained relatively flat over the nine months ended December 31, 1995, the success of the 1995 Midgard infill drilling program offset the natural declines from the area. Average U.S. natural gas prices rose from \$1.40 per mcf in the third quarter of 1995 to \$1.64 per mcf in the fourth quarter of 1995 which favorably impacted revenues \$4 million. During the nine-month period ended December 31, 1995, Northwest Java net natural gas sales volumes averaged 61 mmcfpd and Northwest Java natural gas prices averaged \$2.62 per mcf.

During the nine months ended December 31, 1995, average NGL net sales volumes in the U.S. were 18 mbpd and U.S. NGL prices averaged \$10.49 per bbl.

Costs and Expenses. Costs and expenses were \$536 million during the nine months ended December 31, 1995. Costs and expenses during this period included operating expenses of \$174 million; gas purchase costs of \$41 million; exploration expenses of \$51 million; DD&A of \$142 million; interest and debt expenses of \$105 million and other costs and expenses totaling \$23 million.

DD&A of \$142 million during the nine-month period ended December 31, 1995, included \$43 million of additional DD&A reflecting the impact of the purchase price allocation which increased the book value of the Company's oil and gas properties and equipment. The book value of oil and gas properties and equipment increased approximately \$1.3 billion as a result of the purchase price allocation.

In the nine-month period ended December 31, 1995, interest and debt expenses of \$105 million included \$27 million of interest expense associated with the Purchaser, Midgard and Indonesian credit facilities. Also included in interest and debt expenses during this period was \$6 million of interest associated with the accretion of discount on the Company's long-term debt which was outstanding prior to the Merger. These borrowings were recorded at their fair market value in the purchase method of accounting which resulted in a reduction in their carrying value of \$115 million. This reduction in carrying value will be amortized to interest expense over the remaining term of the borrowings.

Other Revenues, Net. During the nine months ended December 31, 1995, other revenues, net were \$7 million which included \$10 million of interest income, a \$2 million gain which represented the final settlement of the Company's sole interest rate swap agreement prior to its termination and a \$2 million gain recognized on the sale of U.S. Treasury notes partially offset by a \$3 million production bonus payment stemming from the Company's Indonesian operations and \$5 million of accrued expenses. In the future, the Company anticipates recognizing less interest income as a result of maintaining only minimal balances of cash, cash equivalents and short-term investments to cover working capital fluctuations.

Income Taxes. Income tax expense of \$9 million for the nine-month period ended December 31, 1995, included \$63 million of current foreign income tax expense primarily from Indonesian operations partially offset

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by a \$49 million deferred tax benefit due primarily to the higher DD&A associated with the increase in book value of the Company's oil and gas properties and equipment as a result of the purchase price allocation. In addition, the Company received \$5 million of interest income on U.S. federal income tax refunds. This interest income was not previously accrued in prior periods.

#### Comparison of Results

Three Months Ended March 31, 1995 vs. Three Months Ended March 31, 1994

Maxus reported a net loss of \$57 million for the first quarter of 1995 compared to a net loss of \$11 million for the first quarter of 1994. The first quarter 1995 results reflect \$42 million of pre-Merger costs incurred by the Company prior to the Merger. Such costs included expenses associated with

financial consulting and legal service severance payments pursuant to change of control agreements and payments for surrender of stock options and restricted stock.

**Sales and Operating Revenues.** Sales and operating revenues for the first quarter of 1995 were \$143 million, compared to \$187 million for the same 1994 period. The loss of production from the Divested Properties which were sold in the second quarter of 1994 and lower volumes of purchased gas accounted for \$45 million of the revenue decline. Additionally, U.S. natural gas prices fell, which also unfavorably impacted revenues \$12 million for the three months ended March 31, 1995. These declines were partially offset by first quarter 1995 revenue of \$8 million from South America. Initial sales from the Company's South American operations were recorded in the third quarter 1994.

Net worldwide crude oil production averaged 60 mbpd in the first quarter 1995, compared to 69 mbpd in the same quarter in 1994. Average net domestic crude oil volumes declined four mbpd during the period due to the loss of production from the Divested Properties resulting in lower revenues of \$5 million. Net crude oil sales from the Company's Indonesian operations were also down an average of 12 mbpd during the period primarily as a result of lower entitlements due to higher crude oil sales prices and lower production. Offsetting these declines, average net production from South America of seven mbpd provided an additional \$8 million of revenues in 1995.

Average net U.S. natural gas sales for the first quarter of 1995 were 167 mmcfpd, a decrease of 208 mmcfpd as compared to the first quarter 1994 resulting in lower revenues of \$42 million. The decline was driven by the loss of production from the Divested Properties and lower volumes of gas purchased for resale. The average gas price received in the U. S. was \$1.45 per mcf in the first quarter 1995 as compared to \$2.24 per mcf in the same 1994 period.

Average net Northwest Java natural gas volumes of 40 mmcfpd in the first quarter 1995 were eight mmcfpd higher than the first quarter 1994. Natural gas sales prices improved to an average of \$2.65 per mcf during the first quarter 1995 from \$1.81 per mcf during the same period in 1994 due to the change in contract terms which increased the price received for "old" gas production from \$0.20 per mcf to \$2.65 per mcf effective January 1, 1995. The higher Northwest Java natural gas volumes coupled with the higher average natural gas price resulted in increased revenues of \$4 million in the first quarter of 1995.

Average net NGL sales in the U. S. for the first quarter 1995 were 18 mbpd, a slight decrease over the first quarter of 1994. The average sales price for U.S. NGL in the first quarter of 1995 was \$10.38 per barrel, an increase of \$1.15 per bbl from 1994.

**Costs and Expenses.** Costs and expenses for the first quarter of 1995 were \$190 million which were relatively flat compared to the first quarter of 1994. Costs and expenses for the first quarter of 1995 included Maxus pre-Merger costs of \$42 million which were partially offset by lower gas purchase costs of \$31 million when compared to the first quarter of 1994.

Gas purchase costs were \$31 million lower in the first quarter of 1995 as compared to first quarter 1994 due to the lower volumes of gas purchased to aggregate with the production from the Divested Properties, the reduction in volumes of gas purchased for resale and lower natural gas prices.

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DD&A of \$30 million for the first quarter 1995 was \$8 million lower than the same period in 1994. Approximately \$11 million of this decline represents DD&A from the Divested Properties included in the first quarter of 1994. Partially offsetting this decline was \$4 million of DD&A in the first quarter of 1995 associated with South American operations which did not go into production until late 1994.

**Income Taxes.** Income tax expense was \$19 million and \$16 million in the first quarters of 1995 and 1994, respectively. The increase in income tax expense was primarily due to higher Indonesian taxes as a result of increased taxable income from the Company's Indonesian operations.

**Results for the Twelve Months Ended December 31, 1994**

Maxus reported a net loss of \$23 million in 1994.

**Sales and Operating Revenues.** 1994 sales and operating revenues of \$682 million were negatively impacted due primarily to the loss of production from the Divested Properties and lower volumes of purchased gas which were

aggregated and sold with the production from the Divested Properties. Additionally, worldwide oil and gas prices fell, which further compounded the loss of revenues. However, initial production from South America and new gas production from Northwest Java added \$54 million to revenues during 1994, partially offsetting the overall negative revenue variances.

The Company's average net crude oil production was 67 mbpd in 1994 which was comprised of 60 mbpd from Maxus' Indonesian operations, five mbpd from South American operations and two mbpd from U.S. operations. Initial production from South American operations commenced during 1994 which favorably impacted revenues by \$24 million. Crude oil volumes in the United States were negatively impacted by the loss of production from the Divested Properties. Additionally, crude oil sales from the Company's Indonesian operations reflected the unfavorable impact of temporary production problems in Northwest Java, which were corrected. Maxus' 1994 average worldwide crude price hit a five-year low of \$15.31 per bbl.

Average net U.S. natural gas sales volumes of 275 mmcfpd in 1994 included a decline attributable to the loss of production from the Divested Properties and a decrease in purchased gas volumes which were aggregated and sold with the production from the Divested Properties. Maxus' U.S. natural gas prices averaged \$1.95 per mcf in 1994.

Average net Northwest Java natural gas sales volumes were 44 mmcfpd during 1994. The Company realized an additional \$30 million of revenues during 1994 from the Northwest Java gas project, which came on-stream in fourth quarter 1993.

Average net NGL sales in the U.S. were 17.9 mbpd in 1994 and prices received averaged \$10.07 per barrel.

**Costs and Expenses.** Costs and expenses, excluding restructuring, were \$728 million in 1994. Costs and expenses during this period included operating expenses of \$243 million; gas purchase costs of \$117 million; exploration expenses of \$36 million; DD&A of \$140 million; interest and debt expenses of \$97 million; an environmental studies and remediation accrual of \$60 million and other costs and expenses totaling \$35 million. Overall, the favorable impact on costs and expenses related to the Divested Properties was partially offset by additional costs and expenses incurred in South America due to the start-up of production in Ecuador, Bolivia and Venezuela.

The Company increased its reserve for environmental liabilities in 1994 by \$60 million, primarily in response to the EPA's proposed chromium clean-up standards and for additional costs expected to be incurred at the Company's former Newark, New Jersey plant site.

**Restructuring.** The 1994 results reflect a \$101 million pre-tax net benefit from the Company's restructuring activities, which included a pre-tax gain of \$202 million from the sale of the Divested Properties. This gain was

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partially offset by restructuring costs, including a non-cash, pre-tax \$70 million write-off associated with the Company's undeveloped Alaska coal leases. The restructuring also included costs associated with staff reductions and the write-off of non-producing assets outside the Company's core operating areas.

**Other Revenues, Net.** Other revenues, net of \$9 million in 1994 included primarily interest income partially offset by a net loss on the sale of the Company's geothermal subsidiary, Thermal Power Company.

**Income Taxes.** The Company's provision for income taxes of \$87 million in 1994 was comprised primarily of current and deferred foreign taxes in Indonesia.

#### Liquidity and Capital Resources

Liquidity refers to the ability of an enterprise to generate adequate amounts of cash to satisfy its financial needs. Maxus' primary needs for cash are to fund its exploration and development program, service debt, pay existing trade obligations, meet redemption obligations on redeemable preferred stock and pay dividends to preferred stockholders. The Company's primary sources of liquidity have been from operating activities, asset sales, debt financing, equity issuances, and capital contributions and cash advances from YPF and its subsidiaries.

Pursuant to the Merger Agreement, in the event that the Company is unable to

meet its obligations as they come due, either at maturity or otherwise, including, solely for the purposes of this undertaking, dividend and redemption payments with respect to the \$9.75 Preferred Stock and the \$2.50 Preferred Stock, YPF has agreed to capitalize the Company in an amount necessary to permit the Company to meet such obligations; provided that YPF's aggregate obligation will be: (i) limited to the amount of debt service obligations under the Purchaser Facility, the Midgard Facility and the Indonesian Facility and (ii) reduced by the amount, if any, of capital contributions by YPF to the Company after the Merger Date and by the amount of the net proceeds of any sale by the Company of common stock or non-redeemable preferred stock after the Merger Date. The foregoing obligations of YPF (the "Keepwell Covenant") will survive until June 8, 2004. During the twelve months ended December 31, 1996, YPF made capital contributions to the Company and CLH (see "Significant Events 1996") in the aggregate amount of \$64 million and \$8 million, respectively. These amounts represent the cumulative contribution received by Maxus and CLH from YPF pursuant to the terms of the Keepwell Covenant. Based on current projections, it is anticipated that YPF will make capital contributions to CLH in the aggregate amount of approximately \$25 to \$50 million under the Keepwell Covenant during 1997. No such capital contributions to the Company are projected during 1997.

The Midgard Facility contains restrictive covenants including limitations upon the sale of assets, mergers and consolidations, the creation of liens and additional indebtedness, investments, dividends, the purchase or repayment of subordinated indebtedness, transactions with affiliates and modifications to certain material contracts. The obligors under the Midgard Facility may not permit (a) consolidated tangible net worth to be less than \$200 million, plus (or minus) the amount of any adjustment in the book value of assets resulting from the merger of YPFA Corp. into the Company, (b) the ratio of consolidated cash flow to consolidated debt service to be less than 1.1 to 1.0 at the end of any fiscal quarter and (c) the ratio of consolidated cash flow to consolidated interest expense to be less than 1.25 to 1.0 at the end of any fiscal quarter. In addition, mandatory prepayments of the Midgard Facility may be required in connection with certain asset sales and casualty losses, upon the issuance of subordinated indebtedness and in 1997 and in each year thereafter if, after semi-annual review, the agent and the lenders determine that a borrowing base deficiency exists. No borrowing base deficiencies existed at December 31, 1996.

Maxus has guaranteed the obligations of Midgard under the Midgard Facility (the "Midgard Guaranty"). The Midgard Guaranty contains restrictions upon mergers and consolidations, the creation of liens and the business activities in which Maxus and its subsidiaries may engage. In addition, Midgard is required to be a wholly owned subsidiary of Maxus, except to the extent YPF or a subsidiary of YPF (other than Maxus or a subsidiary of Maxus) makes capital contributions to Midgard.

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In management's opinion, cash on hand and cash from operations will be inadequate to fund the 1997 program spending budget, service debt, meet redemption obligations on redeemable preferred stock and pay preferred stock dividends and trade obligations. It is anticipated that YPF could be required to make cash advances to Maxus in 1997 totaling approximately \$150 million to \$200 million to help fund the Company's obligations. Actual cash advances made by YPF could vary significantly depending on, among other circumstances, oil and gas prices and program spending commitments.

Operating Activities. For the twelve months ended December 31, 1996, net cash provided by operating activities was \$152 million. Excluding the change in working capital requirements of \$27 million, net cash from operating activities was \$179 million for the year. Additional working capital was required primarily due to the recognition of deferred revenue in Northwest Java and Bolivia during 1996 as well as higher receivables in Ecuador.

During the nine months ended December 31, 1995, net cash provided by operating activities was \$57 million. Excluding the change in working capital requirements, net cash from operating activities was \$44 million during this period. Working capital requirements provided an additional \$13 million primarily as a result of U.S. federal income tax refunds of approximately \$60 million. These tax refunds were partially offset by lower accrued liabilities of \$32 million due primarily to payment of Maxus pre-Merger costs coupled with higher inventories of \$13 million.

Net cash provided by operating activities during the three months ended March 31, 1995, was \$62 million of which \$18 million was provided by operating activities and \$44 million was from working capital. Working capital was

favorably impacted by higher accrued liabilities of \$26 million of which \$11 million was due to higher accrued interest, lower oil and gas receivables of \$24 million and a U.S. federal income tax refund of \$9 million partially offset by lower accounts payable of \$15 million.

**Investing Activities.** Expenditures for properties and equipment, including dry hole costs, were \$203 million in 1996, a slight increase from 1995. During 1996, the Company focused its spending efforts on developmental drilling in established areas of the United States, Indonesia and Ecuador with the intention of increasing reserves and production in already proven areas. In the U.S., the Company drilled over 100 development wells during 1996, which contributed to the 13% increase in total net production as compared to last year. In addition, due to the increased drilling and detailed engineering work, approximately 174 billion cubic feet of gas reserves were added. During 1996, natural declines in gross crude oil production in the Southeast Sumatra contract area of Indonesia were offset by new crude oil production resulting from the introduction of horizontal well technology combined with an active drilling program. Expenditures for the year also included the acquisition of a 25% interest in the Guarapiche block in Venezuela for \$27 million, which was subsequently sold to International (see "Significant Events 1996").

During 1995, the Company concentrated its capital spending in core areas of the United States, Indonesia and Ecuador plus development of the emerging areas: the Mamore Block in Bolivia and the Quiriquire Block in Venezuela. Spending in 1995 increased modestly compared to 1994, with the largest increase occurring in the U.S. due to the implementation of an aggressive program of infill drilling designed to increase production and cash flow. Only Ecuador experienced lower capital spending in 1995 as spending for major infrastructure and facilities was completed in 1994. Approximately 45% of the 1994 capital spending was for development of oil reserves in South America. Initial production began in the third quarter of 1994 in Ecuador, Bolivia and Venezuela.

In 1996 the Company sold Maxus Bolivia, Maxus Venezuela, and Maxus Guarapiche to YPF and its subsidiaries for approximately \$293 million. The proceeds were used for general corporate purposes, including the redemption of the \$4.00 Preferred Stock on August 13, 1996 for \$221 million (see "Significant Events 1996"). The Company also received approximately \$14 million from the sale of non-oil and gas properties, including the Company's ranch and other real estate holdings.

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In December 1995, the Company sold its overriding royalty interest in the Recetor Block in Colombia to an unrelated party for \$25 million. There was no gain or loss recognized on this transaction.

On April 25, 1994, Offshore Partners sold its interests in Main Pass Blocks 72, 73 and 74. On April 26, 1994, Maxus and its subsidiaries sold all of their partnership interests in Offshore Partners. In the second quarter of 1994, Maxus also sold the McFarlan Field and Grand Isle Block 25, both producing oil and gas properties. In total, the Company received \$325 million of proceeds and recorded a pre-tax gain of \$202 million from these transactions. A portion of the proceeds from these sales was used to reduce senior debt by \$70 million net and to redeem \$63 million of the \$9.75 Preferred Stock due in February 1995.

During the second quarter of 1994, Maxus Bolivia signed an agreement to take BHP Petroleum as a partner in its Bolivian oil development project. The Company received \$10 million from BHP in exchange for a 50% interest in the project. Also during the second quarter of 1994, Maxus Venezuela signed an agreement with BP Exploracion de Venezuela S.A., granting BP a 45% interest in the Quiriquire Unit in eastern Venezuela. Maxus Venezuela remained the operator with a 50% interest and Otepi Consultores, a Venezuelan company, held the remaining 5%. Both Maxus Bolivia and Maxus Venezuela were sold to YPF in 1996 (see "Significant Events 1996").

The Company sold its geothermal subsidiary, Thermal Power Company, in September 1994. The sale was for \$58 million net in cash and a \$7 million promissory note due from the purchaser in 1997. The Company recorded a loss of \$13 million on the transaction.

In 1996, the Company released \$47 million of restricted cash of which \$26 million had been backing trade letters of credit, \$9 million was for assets held in trust as previously required by certain insurance policies, and \$8 million had been required by the Indonesian Facility. During 1995, the Company was able to release a significant portion of its restricted cash, of which \$48 million supporting letters of credit were released and \$17 million of assets

held in trust as required by certain insurance policies were released due to YPF's guarantees. Additionally, in 1995, the Company restricted \$8 million as required by the Indonesian Facility. During 1994, \$36 million in restricted cash backing letters of credit in Venezuela were released when the Company took on a partner and reduced its interest to 50%.

During 1994, the Company purchased \$112 million of short-term investments with the proceeds from the sales of assets. To partially fund the capital program budget and pay Merger-related costs in 1995, the Company liquidated all its short-term investments. Additionally, the Company sold its remaining long-term investment in U.S. Treasury notes for \$31 million realizing a gain on the sale of \$2 million.

**Financing Activities.** In 1996 the Company received capital contributions in the aggregate amount of \$64 million from YPF, for which the Company issued to YPF an additional 11,636,363 Shares at \$5.50 per Share. The proceeds from this issuance were used for general corporate purposes including the mandatory redemption of 625,000 shares of the \$9.75 Preferred Stock for \$63 million. As discussed in "Significant Events 1996", the Company also redeemed its outstanding \$4.00 Preferred Stock for \$221 million (including accrued dividends of approximately \$3 million) using proceeds provided by the sale of the Company's Bolivian and Venezuelan assets. International advanced the Company \$175 million in the form of a demand note, bearing 5.75% interest compounded annually, to repay the Indonesian Facility. Additionally, the Company repaid \$34 million of medium-term notes, which matured in 1996.

The Company and YPF entered into a loan agreement (the "Loan Agreement") during 1996 to facilitate short-term loans by YPF to the Company and short-term loans by the Company to YPF of excess cash balances. At December 31, 1996, there were no loans outstanding under the Loan Agreement. It is expected that loans will be made by the parties under the loan agreement during 1997; however, the number and amounts thereof are not presently known.

During 1995, most of Maxus' financing activity was impacted by the Merger. The Company received \$851 million from the issuance of debt under the Purchaser Facility and the Midgard and Indonesian credit facilities

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and a \$250 million capital infusion from YPF to partially fund the Merger. In connection with the Merger, the Company also paid \$14 million to redeem rights attached to Shares, repaid the Purchaser Facility and, pursuant to the Merger, either assumed or paid \$746 million of purchase consideration for the Shares outstanding plus transaction costs.

During the third quarter of 1995, the Company recorded a \$2 million gain which represented the final settlement of the Company's sole interest rate swap agreement prior to its termination. This gain was recorded in other revenues, net. The Company also received a \$5 million termination payment, which was deferred.

During 1994, the Company was able to take advantage of lower interest rates and, at the same time, to extend the average debt maturities. Accordingly, the Company issued \$101 million of additional long-term debt. Debt issuances, along with a portion of the proceeds from asset sales, were used to repay approximately \$170 million of higher interest debt obligations due 1994 and beyond and to prepay \$63 million of \$9.75 Preferred Stock due in February 1995.

In February 1994, the Company redeemed 625,000 shares of \$9.75 Preferred Stock for \$63 million, using proceeds received in 1993 from the issuance of the \$2.50 Preferred Stock in 1993.

#### Environmental Matters

Federal, state and local laws and regulations relating to health and environmental quality in the United States, as well as environmental laws and regulations of other countries in which the Company operates, affect nearly all of the operations of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish in certain circumstances remedial obligations. In addition, especially stringent measures and special provisions may be appropriate or required in environmentally sensitive foreign areas of operation, such as those in Ecuador.

Many of the Company's United States operations are subject to requirements of the Safe Drinking Water Act, the Clean Water Act, the Clean Air Act (as



amended in 1990), the Occupational Safety and Health Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), and other federal, as well as state, laws. Such laws address, among other things, limits on the discharge of wastes associated with oil and gas operations, investigation and clean-up of hazardous substances, and workplace safety and health. In addition, these laws typically require compliance with associated regulations and permits and provide for the imposition of penalties for noncompliance. The Clean Air Act Amendments of 1990 may benefit the Company's business by increasing the demand for natural gas as a clean fuel. CERCLA imposes retroactive liability upon certain parties for the response costs associated with cleaning up old hazardous substance sites. CERCLA liability to the Government is joint and several. CERCLA allows authorized trustees to seek recovery of natural resource damages from potentially responsible parties. CERCLA also grants the Government the authority to require potentially responsible parties to implement interim remedies to abate an imminent and substantial endangerment to the environment.

The Company believes that its policies and procedures in the area of pollution control, product safety and occupational health are adequate to prevent unreasonable risk of environmental and other damage, and of resulting financial liability, in connection with its business. Some risk of environmental and other damage is, however, inherent in particular operations of the Company and, as discussed below, the Company has certain potential liabilities associated with former operations. The Company cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies, could in the future require material expenditures by the Company for the installation and operation of systems and equipment for remedial measures and in certain other respects. Such potential expenditures cannot be reasonably estimated.

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In connection with the sale of the Company's former chemical subsidiary, Diamond Shamrock Chemicals Company ("Chemicals"), to Occidental Petroleum Corporation ("Occidental") in 1986, the Company agreed to indemnify Chemicals and Occidental from and against certain liabilities relating to the business or activities of Chemicals prior to the September 4, 1986 closing date (the "Closing Date"), including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date.

In addition, the Company agreed to indemnify Chemicals and Occidental for 50% of certain environmental costs incurred by Chemicals for which notice is given to the Company within 10 years after the Closing Date on projects involving remedial activities relating to chemical plant sites or other property used in the conduct of the business of Chemicals as of the Closing Date and for any period of time following the Closing Date, with the Company's aggregate exposure for this cost sharing being limited to \$75 million. The total expended by the Company and CLH on the Company's behalf under this cost sharing arrangement was about \$42 million as of December 31, 1996. Occidental Chemical Corporation ("OxyChem"), a subsidiary of Occidental, and Henkel Corporation ("Henkel"), an assignee of certain of Occidental's rights and obligations, filed a declaratory judgment action in Texas state court with respect to the Company's agreement in this regard. The lower court found in favor of Occidental and Henkel and the Company has appealed the judgment (see "Legal Proceedings").

In connection with the spin-off of Diamond Shamrock R&M, Inc., now known as Ultramar Diamond Shamrock Corporation ("DSI"), in 1987, the Company and DSI agreed to share the costs of losses (other than product liability) relating to businesses disposed of prior to the spin-off, including Chemicals. Pursuant to this cost-sharing agreement, the Company bore the first \$75 million of such costs and DSI bore the next \$37.5 million. Thereafter, such ongoing costs were borne one-third by DSI and two-thirds by the Company until DSI had borne an additional \$47.5 million. As of December 31, 1996, DSI had fulfilled its remaining responsibility under the cost-sharing arrangement, and it has no further obligation thereunder.

During the twelve months ended December 31, 1996, the Company spent \$8 million in environmental related expenditures in its oil and gas operations. Expenditures for 1997 are expected to be approximately \$13 million.

For the seven months ended July 31, 1996, the Company's total expenditures for environmental compliance for disposed of businesses, including Chemicals, were approximately \$13 million, \$5 million of which was recovered from DSI under the above described cost-sharing arrangement.

At December 31, 1996, reserves for the environmental contingencies discussed herein totaled \$101.6 million. Management believes it has adequately reserved for all environmental contingencies which are probable and can be reasonably estimated; however, changes in circumstances could result in changes, including additions, to such reserves in the future.

The Company has transferred certain liabilities related to environmental matters to CLH (see "Significant Events 1996") effective as of August 1, 1996. In connection with this transfer, CLH assumed the liabilities so transferred and YPF committed to contribute capital to CLH up to an amount of \$106.9 million that will enable CLH to satisfy its obligations under the Assumption based on the Company's reserves established in respect of the assumed liabilities as of July 31, 1996 plus certain operating expenses budgeted by CLH from time to time. YPF will not be obligated to contribute capital to CLH beyond the amount of its initial undertaking. The Company will remain responsible for any obligations assumed by CLH in the event CLH does not perform or fulfill such obligations. The environmental contingencies discussed herein and the declaratory judgment action filed by OxyChem and Henkel are among the matters for which CLH has assumed responsibility, and the Company transferred to CLH its then remaining rights to recover costs under the arrangement with DSI. The contribution obligation of YPF related to the Assumption was reflected on the Company's financial statements as a long-term and short-term funding guarantee from parent totaling \$106.9 million, an increase to deferred income taxes of \$37.4 million and an increase to paid-in capital of \$69.5 million. At December 31, 1996, the outstanding funding guarantee totaled \$102.6 million. Insofar as CLH has assumed the Company's environmental liabilities and YPF has committed to pay for the liabilities, such liabilities are not expected to have an adverse impact on the financial reporting books of the Company.

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The insurance companies that wrote Chemicals' and the Company's primary and excess insurance during the relevant periods have to date refused to provide coverage for most of Chemicals' or the Company's cost of the personal injury and property damage claims related to environmental claims, including remedial activities at chemical plant sites and disposal sites. In two actions filed in New Jersey state court, the Company has been conducting litigation against all of these insurers for declaratory judgments that it is entitled to coverage for certain of these claims. In 1989, the trial judge in one of the New Jersey actions ruled that there is no insurance coverage with respect to the claims related to the Newark plant (discussed below). The trial court's decision was upheld on appeal and that action is now ended. The other suit, which is pending, covers disputes with respect to insurance coverage related to certain other environmental matters. The Company has entered into settlement agreements with certain of the insurers in this second suit, the terms of which are required to be held confidential. The Company also is engaged in settlement discussions with other defendant insurers; however, there can be no assurance that such discussions will result in settlements with such other insurers.

Newark, New Jersey. A consent decree, previously agreed upon by the U.S. Environmental Protection Agency (the "EPA"), the New Jersey Department of Environmental Protection and Energy (the "DEP") and Occidental, as successor to Chemicals, was entered in 1990 by the United States District Court of New Jersey and requires implementation of a remedial action plan at Chemicals' former Newark, New Jersey agricultural chemicals plant. Engineering for such plan, which will include an engineering estimate of the cost of construction, is progressing. Construction is expected to begin in late 1997 or in 1998, cost approximately \$23 million and take three to four years to complete. The work is being supervised and paid for by CLH, on behalf of the Company pursuant to the Assumption and under the Company's above described indemnification obligation to Occidental. The Company has reserved the estimated costs of performing the remedial action plan and required ongoing maintenance costs.

Studies have indicated that sediments of the Newark Bay watershed, including the Passaic River adjacent to the plant, are contaminated with hazardous chemicals from many sources. These studies suggest that the older and more contaminated sediments located adjacent to the Newark plant generally are buried under more recent sediment deposits. The Company, on behalf of Occidental, negotiated an agreement with the EPA under which CLH, on the Company's behalf, is conducting further testing and studies to characterize contaminated sediment and biota in a six-mile portion of the Passaic River near the plant site. The stability of the sediments in the entire six-mile portion of the Passaic River study area is also being examined as a part of CLH's studies. The Company currently expects the testing and studies to be

completed in 1999 and cost from \$4 million to \$6 million after December 31, 1996. The Company has reserved for the amount of its estimate of the remaining costs to be incurred in performing these studies. The Company and later CLH have been conducting similar studies under their own auspices for several years. Until these studies are completed and evaluated, the Company cannot reasonably forecast what regulatory program, if any, will be proposed for the Passaic River or the Newark Bay watershed and therefore cannot estimate what additional costs, if any, will be required to be incurred. However, it is possible that additional work, including interim remedial measures, may be ordered with respect to the Passaic River.

Hudson County, New Jersey. Until 1972, Chemicals operated a chromium ore processing plant at Kearny, New Jersey. According to the DEP, wastes from these ore processing operations were used as fill material at a number of sites in and near Hudson County.

As a result of negotiations between the Company (on behalf of Occidental) and the DEP, Occidental signed an administrative consent order with the DEP in 1990 for investigation and remediation work at certain chromite ore residue sites in Kearny and Secaucus, New Jersey. The work is presently being performed by CLH on behalf of the Company and Occidental, and CLH is funding Occidental's share of the cost of investigation and remediation of these sites. The Company is currently providing financial assurance for performance of the work in the form of a self-guarantee in the amount of \$20 million subject to the Company's continuing ability to satisfy certain financial tests specified by the State. This financial assurance may be reduced with the approval of the DEP following any annual cost review. While the Company and CLH have participated in the cost of studies

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and CLH is implementing interim remedial actions and conducting remedial investigations and feasibility studies, the ultimate cost of remediation is uncertain. The Company anticipates CLH will submit its remedial investigation and feasibility study report to the DEP in 1997. The results of the DEP's review of this report could increase the cost of any further remediation that may be required. The Company has reserved its best estimate of the remaining cost to perform the investigations and remedial work as being approximately \$47 million. In addition, the DEP has indicated that it expects Occidental and the Company to participate with the other chromium manufacturers in the funding of certain remedial activities with respect to a number of so-called "orphan" chrome sites located in Hudson County, New Jersey. Occidental and the Company have declined participation as to those sites for which there is no evidence of the presence of residue generated by Chemicals. The Governor of New Jersey issued an Executive Order requiring state agencies to provide specific justification for any state requirements more stringent than federal requirements. The DEP has indicated that it may be revising its soil action level upwards towards the higher soil screening levels proposed by the EPA in 1994.

Painesville, Ohio. From about 1912 through 1976, Chemicals operated manufacturing facilities in Painesville, Ohio. The operations over the years involved several discrete but contiguous plant sites over an area of about 1,300 acres. The primary area of concern historically has been Chemicals' former chromite ore processing plant (the "Chrome Plant"). For many years, the site of the Chrome Plant has been under the administrative control of the EPA pursuant to an administrative consent order under which Chemicals is required to maintain a clay cap over the site and to conduct certain ground water and surface water monitoring. Many other sites have previously been clay-capped and one specific site, which was a waste disposal site from the mid-1960s until the 1970s, has been encapsulated and is being controlled and monitored. In 1995, the Ohio Environmental Protection Agency (the "OEPA") issued its Directors' Final Findings and Order (the "Director's Order") by consent ordering that a remedial investigation and feasibility study (the "RIFS") be conducted at the former Painesville plant area. The Company has agreed to participate in the RIFS as required by the Director's Order. It is estimated that the total cost of performing the RIFS will be \$5 million to \$8 million over the next three years. In spite of the many remedial, maintenance and monitoring activities performed, the former Painesville plant site has been proposed for listing on the National Priority List under CERCLA; however, the EPA has stated that the site will not be listed so long as it is satisfactorily addressed pursuant to the Director's Order and OEPA's programs. The Company has reserved for the amount of its estimate of its share of the cost to perform the RIFS. The scope and nature of any further investigation or remediation that may be required cannot be determined at this time; however, as the RIFS progresses, the Company will continuously assess the condition of the Painesville plant site and make any changes, including additions, to its reserve as may be required. The Company's obligations regarding the Chrome

Plant described above have been assumed by CLH pursuant to the Assumption.

Other Former Plant Sites. Environmental remediation programs are in place at all other former plant sites where material remediation is required in the opinion of the Company. Former plant sites where remediation has been completed are being maintained and monitored to insure continued compliance with applicable laws and regulatory programs. The Company has reserved for its estimated costs related to these sites, none of which is individually material.

Third Party Sites. Chemicals has also been designated as a potentially responsible party ("PRP") by the EPA under CERCLA with respect to a number of third party sites, primarily off of Chemicals' properties, where hazardous substances from Chemicals' plant operations allegedly were disposed of or have come to be located. Numerous PRPs have been named at substantially all of these sites. At several of these, Chemicals has no known exposure. Although PRPs are almost always jointly and severally liable for the cost of investigations, cleanups and other response costs, each has the right of contribution from other PRPs and, as a practical matter, cost sharing by PRPs is usually effected by agreement among them. Accordingly, the ultimate cost of these sites and Chemicals' share of the costs thereof cannot be estimated at this time, but are not expected to be material except possibly as a result of the matters described below. The matters described below are among those for which CLH has assumed responsibility under the Assumption.

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1. Fields Brook; Ashtabula, Ohio. At the time that Chemicals was sold to Occidental, Chemicals operated a chemical plant at Ashtabula, Ohio which is adjacent to Fields Brook. Occidental has continued to operate the Ashtabula plant. In 1986, Chemicals was formally notified by the EPA that it was a PRP for the Fields Brook site. The site is defined as Fields Brook, its tributaries and surrounding areas within the Fields Brook watershed. At least 15 other parties are presently considered to be financially responsible PRPs. In 1986, the EPA estimated the cost of sediment remediation at the site would be \$48 million. The PRPs, including Occidental, have developed an allocation agreement for sharing the costs of the work in Fields Brook ordered by the EPA. Under the allocation, the Occidental share for Chemicals' ownership of the Ashtabula plant would be about five percent of the total, assuming all viable PRPs were to participate.

In 1990, the OEPA, as state trustee for natural resources under CERCLA, advised previously identified PRPs, including Chemicals, that the OEPA intended to conduct a Natural Resource Damage Assessment of the Fields Brook site to calculate a monetary value for injury to surface water, groundwater, air, and biological and geological resources at the site. Also, although Fields Brook empties into the Ashtabula River which flows into Lake Erie, it is not known to what extent, if any, the EPA will propose remedial action beyond Fields Brook for which the Fields Brook PRPs might be asked to bear some share of the costs. Until all preliminary studies and necessary governmental actions have been completed and negotiated or judicial allocations have been made, it is not possible for the Company to estimate what the response costs, response activities or natural resource damages, if any, may be for Fields Brook or related areas, the parties responsible therefore or their respective shares.

It is the Company's position that costs attributable to the Ashtabula plant fall under the Company's above-described cost sharing arrangement with Occidental under which the Company bears one-half of certain costs up to an aggregate dollar cap. Occidental, however, has contended that it is entitled to full indemnification from the Company for such costs, and the outcome of this dispute cannot be predicted. The Company has reserved its estimate of its share of potential cleanup costs based on the assumption that this site falls under the Occidental cost sharing arrangement.

2. SCP/Carlstadt Site; Carlstadt, New Jersey. Chemicals' share of remediation costs at this CERCLA site would be approximately one percent, based on relative volume of waste shipped to the site. An interim remedy has now been implemented at the site by the PRPs but no estimate can be made at this time of ultimate costs of remediation which may extend to certain off-site locations.

3. Chemical Control Site; Elizabeth, New Jersey. The PRPs and the EPA have settled the federal claims for cost recovery and site remediation, and remediation is now complete. The DEP has demanded of PRPs (including Chemicals) reimbursement of the DEP's alleged \$34 million (including interest through December 31, 1995) in past costs for its partial cleanup of this site. Based on the previous allocation formula, it is expected that Chemicals' share

of any money paid to the DEP for its claim would be approximately two percent. The Company has fully reserved its estimated liability for this site.

#### Legal Proceedings

In 1995, OxyChem filed suit in Texas state court seeking a declaration of certain of the parties' rights and obligations under the sales agreement pursuant to which the Company sold Chemicals to Occidental. Henkel joined in said lawsuit as a plaintiff in January 1996. Specifically, OxyChem and Henkel are seeking a declaration that the Company is required to indemnify them for 50% of certain environmental costs incurred on projects involving remedial activities relating to chemical plant sites or other property used in connection with the business of Chemicals on the Closing Date which relate to, result from or arise out of conditions, events or circumstances discovered by OxyChem or Henkel and as to which the Company is provided written notice by OxyChem or Henkel prior to the expiration of ten years following the Closing Date, irrespective of when OxyChem or Henkel incurs and gives notice of such costs, subject to an aggregate \$75 million cap. The court denied the Company's motion for summary judgment and granted OxyChem's and Henkel's joint motion for summary judgment, thereby granting OxyChem and Henkel the declaration they sought. The Company believes the court's orders are erroneous and has appealed.

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The Company has established reserves based on its 50% share of remaining costs expected to be paid or incurred by OxyChem and Henkel prior to September 4, 1996, the tenth anniversary of the Closing Date. As of December 31, 1996, the Company and CLH on its behalf had paid OxyChem and Henkel a total of approximately \$42 million against the \$75 million cap and, based on OxyChem's and Henkel's historical annual expenditures, the Company had approximately \$4 million reserved. The Company cannot predict with any certainty what portion of the approximately \$29 million unreserved portion of the \$33 million amount remaining at December 31, 1996, OxyChem and Henkel may incur; however, OxyChem and Henkel have asserted in court that the entire amount will be spent. In the event that the Company does not prevail in its appeal, it could be required to pay up to approximately \$29 million in additional costs which have not been reserved related to this indemnification. CLH has assumed, pursuant to the Assumption, responsibility for this litigation.

The Company has established reserves for legal contingencies in situations where a loss is probable and can be reasonably estimated.

#### Future Outlook

Maxus currently projects total program spending (capital expenditures plus exploration expenses) for 1997 to be approximately \$221 million, compared to \$233 million in 1996. The planned allocation is Indonesia \$110 million, Midgard (U.S.) \$66 million, Ecuador \$26 million and domestic and overseas new ventures \$19 million. Funding for the 1997 spending program is expected to be provided by cash from operations and cash advances from YPF as necessary. In addition to the 1997 program, Maxus has financial and/or performance commitments for exploration and development activities in 1998 and beyond, none of which are material.

Midgard has signed a letter of intent with Amoco Production Company ("Amoco") concerning the establishment of a partnership with regard to Midgard's business and assets. It is anticipated that Midgard and Amoco will each contribute to the partnership oil and gas properties in the Texas Panhandle and western Oklahoma and that Amoco will contribute certain other assets. Midgard and Amoco have commenced negotiations of definitive agreements covering the partnership. However, no definitive agreements have been entered into, and consequently no assurances can be given that the attempts to establish the partnership will be successful. In addition to the general reorganization discussed in "Significant Events 1996" above, Maxus is continuing to consider a number of possible capital and business restructuring alternatives; however, no decisions have been made to take any additional specific action nor can there be any assurance that any specific action will be taken.

The Company's foreign petroleum exploration, development and production activities are subject to political and economic uncertainties, expropriation of property and cancellation or modification of contract rights, foreign exchange restrictions and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted, as well as risks of loss in some countries due to changes in governments, civil strife, guerrilla activities and insurrection. Areas in which the Company has significant operations include the United States, Indonesia and Ecuador.

On August 10, 1996, a new Government was inaugurated in Ecuador and on August 20, 1996, the new Energy Minister announced his intention to cancel the Company's risk service contract unless the Company and the other members of its consortium for the Block 16 project ("Block 16") agreed to convert such contract into a production sharing contract. Effective January 1, 1997, the Company and the Government entered into a new contract governing Block 16. The principal difference between the two contracts is the manner in which the consortium's costs in the Block are recovered. Under the former contract, the Company had the right to recover its investment before the Government began to share in significant proceeds from the sale of production; under the new contract, the Government receives a royalty, and the Company's recovery of its investment is out of the proceeds after deducting such royalty. Previous Governments had signaled their dissatisfaction with the former arrangement and in recent years a series of auditing, contract administration and certification of new field disputes had arisen that made it increasingly difficult to develop Block 16. Partly in response to these difficulties, the Company reduced its 1996 program spending on Block 16 to \$17 million from \$32 million in 1995.

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The new contract also resolves certain outstanding disputes and amends the prior agreement in various other ways, some of which are expected to significantly improve the Company's current and future operating costs. The Company believes that the new contract permits the Company to go forward with the development of Block 16 and permits it to do so on a more cost-effective basis, subject to the eventual permanent increase of pipeline capacity discussed below. Based on the terms of the newly approved contract and events which have transpired since such approval, no write down of carrying value of the Block is required. During 1996, pipeline capacity available to the Company was sufficient to transport only about 60 to 80% of the oil which the Company produced daily in Ecuador. Due to the decreased usage by PetroEcuador, however, pipeline capacity has presently been available to transport close to 100% of the oil which the Company produces daily. It is not known whether this availability is temporary and, if permanent, whether it will be adequate to accommodate expected increased production in mid-1997. Additionally, the Ecuadorian Government has announced its intention to solicit bids in early 1997 for the construction of a new pipeline system and expects completion of the pipeline within 18 to 24 months from the date of execution of a contract. It is unknown what impact, if any, a recent change in the country's political leadership will have on these plans to solicit such bids.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this item appears on pages F-1 to F-23 and F-27 to F-70 of this report.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Inapplicable.

## PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

## Executive Officers of the Company

The following table sets forth certain information as of March 1, 1997 concerning the executive officers of the Company.

&lt;TABLE&gt;

&lt;CAPTION&gt;

NAME	POSITION WITH THE COMPANY	SERVED AS AN OFFICER SINCE
<S>	<C>	<C>
Roberto Monti.....	President and Chief Executive Officer	1995
W. Mark Miller.....	Executive Vice President and Treasurer	1995
Michael C. Forrest.....	Senior Vice President	1992
David A. Wadsworth.....	Vice President, Legal	1995
Linda R. Engelbrecht.....	Controller	1995

&lt;/TABLE&gt;

Officers are elected annually by the Board of Directors (sometimes referred

to as the "Board") and may be removed any time by the Board. There are no family relationships among the executive officers listed and there are no arrangements or understandings with third parties pursuant to which any of them were elected as officers. Certain information regarding the principal occupations and employment of each of the officers named above during the prior five years is set forth below.

\* YPF, the Company's indirect parent company, has announced that Mr. Monti will be presented for election as CEO and executive vice president of YPF as of April 30, 1997. Mario B. Rosso is expected to be nominated as president and chief executive officer of Maxus effective as of Mr. Monti's assumption of such position with YPF, and since February 15, 1997 during Mr. Monti's absence, Mr. Rosso acts as chief executive officer. Mr. Rosso, age 55, joined the Company as general manager of the Company's Indonesian operations, the position he currently holds, on May 1, 1996. Prior to joining the Company, Mr. Rosso was Vice President, Worldwide Operations of GeoQuest, an exploration and production software products and information technology services division of Schlumberger Limited.

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Mr. Monti was elected President and Chief Executive Officer and a director of the Company in 1995. Prior to joining Maxus, Mr. Monti served as the President of Dowell, a division of Schlumberger Limited. Since joining the oilfield services company in 1963, Mr. Monti has held various positions with Schlumberger, including president and vice president of various divisions or subsidiaries.

Mr. Miller was elected Executive Vice President and Treasurer of the Company in 1995. Mr. Miller joined a former subsidiary of Maxus in 1981 as Manager, Taxes and has held various positions with the Company since such time, including Director, Exploration and Production Taxes; Director, Operations Auditing; General Manager, Indonesia; and Vice President of the Company.

Mr. Forrest joined the Company in 1992 as special assistant to the Chairman and later that year was elected Vice Chairman and Chief Operating Officer. Prior to 1992, he was with Shell U.S.A. for more than five years, last serving as President of its subsidiary, Pecten International Company. Mr. Forrest was named Senior Vice President, Business Development of the Company in 1994. Mr. Forrest has been a Senior Vice President of the Company since 1994.

Mr. Wadsworth was elected Vice President, Legal of the Company in 1995. Mr. Wadsworth joined Natomas Company, a former subsidiary of Maxus, in 1979. He has served in various positions with the Company, including Associate General Counsel and Corporate Secretary, since such time.

Mrs. Engelbrecht was elected Controller of the Company in 1995. She joined a former subsidiary of the Company in 1978 as a financial associate and has held various positions with the Company, including Director of Financial Reporting and Assistant Controller, since such time.

#### Directors of the Company

Certain information regarding each director, including his age, is set forth below. Each director is elected at the annual meeting of stockholders for a term of one year.

CHARLES L. BLACKBURN: **Non-Exec**, a director of the Company since 1986. For more than five years prior to his retirement in 1995, he was also the Chairman, President and Chief Executive Officer of Maxus. He is currently an international consultant for the Company. Mr. Blackburn also serves as a director of Lone Star Technologies, Inc. and Landmark Graphics Corporation.

CEDRIC BRIDGER: **Non-Exec**, a director of the Company since 1995. Mr. Bridger has been Vice President, Finance and Corporate Development of YPF since 1992. From 1989 to 1992, he was employed by CBV Industrias Mecanicas in Brazil, last serving as Marketing Manager. Previously, he was associated with Hughes Tool Company from 1964 to 1989.

GEORGE L. JACKSON: **Non-Exec**, a director of the Company since 1987. Mr. Jackson has been an oil field service consultant for more than five years.

NELLS LEON: **Non-Exec**, a director of the Company since 1995. Mr. Leon has been a director of YPF since 1991 and was elected President of YPF in 1995. He has been associated with YPF since 1990, serving as Executive Vice President. He was Vice President of Operations of Sol Petroleo S.A. from 1987 to 1990.

JAMES R. LESCH: **Non-Exec**, a director of the Company since 1995. Mr. Lesch has been

a director of YPF since 1993. He is currently retired, having retired from Hughes Tool Company in 1986. He was Chief Executive Officer (1979-1986) and Chairman of the Board (1981-1986) of Hughes Tool Company and also served as Commissioner, State of Texas Department of Commerce (1988-1992). Previously, he served as Director of the American Petroleum Institute. Mr. Lesch also serves as a director of TransTexas Gas Corporation.

ROBERTO MONTI: **Non-Resident**, a director, President and Chief Executive Officer of the Company since 1995. Prior to such time, Mr. Monti had been employed since 1963 by Schlumberger Limited, an oil field services company, in

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various capacities. He most recently served as President of Dowell, a division of Schlumberger Limited. Mr. Monti is an alternate director of YPF.

P. DEXTER PEACOCK: **Non-Resident**, a director of the Company since 1995. Mr. Peacock has been a partner of the law firm of Andrews & Kurth L.L.P. since 1975. He is a member of the firm's Management Committee. He currently serves as a director of Texas Commerce Bank National Association and as an alternate director of YPF.

R. A. WALKER: **Non-Resident**, a director of the Company since 1994. He is a Managing Director of Prudential Capital Group and a Vice President of The Prudential Insurance Company of America ("Prudential"). Mr. Walker has held similar positions with Prudential Capital Group for the past five years. He was originally elected to the Board of Directors of Maxus by Prudential pursuant to the terms of the \$9.75 Preferred Stock.

## ITEM 11. EXECUTIVE COMPENSATION.

## DIRECTOR COMPENSATION

The Company pays each director who is not an employee of the Company or YPF (other than Mr. Blackburn) an annual retainer of \$20,000 and a fee of \$1,000 for each meeting of the Board attended and for each committee meeting attended. Under the terms of Mr. Blackburn's consulting agreement with the Company, he will not be entitled to such compensation paid to other non-employee Directors for so long as he remains an international consultant to the Company. See--"Employment Contracts and Termination of Employment and Change in Control Agreements."

## EXECUTIVE OFFICER COMPENSATION

The following tables set forth compensation awarded to, earned by or paid to the executive officers named below in 1994, 1995 and 1996.

SUMMARY COMPENSATION TABLE

&lt;TABLE&gt;

&lt;CAPTION&gt;

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG TERM COMPENSATION	
		SALARY (\$)	BONUS (\$)	SECURITIES UNDERLYING OPTIONS/SARS (#)	ALL OTHER COMPENSATION (\$)
<S>	<C>	<C>	<C>	<C>	<C>
Roberto Monti.....	1996	800,004	1,460	35,477 (4)	48,000 (1)
President and Chief Executive Officer	1995	302,052 (2)	30,000 (3)	0	10,923 (1)
	1994	N/A	N/A	N/A	N/A
W. Mark Miller.....	1996	180,000	67,250	7,982 (4)	87,392 (5)
Executive Vice President and Treasurer	1995	174,900	60,000	0	87,086 (6)
	1994	N/A	N/A	N/A	N/A
Michael C. Forrest.....	1996	175,008	62,713	7,761 (4)	192,602 (7)
Senior Vice President	1995	261,016	60,000	0	1,291,032 (8)
	1994	304,020	100,000	65,000	18,241 (1)
David A. Wadsworth.....	1996	164,448	63,950	0	9,869 (1)
Vice President, Legal	1995	155,640	52,000	0	9,338 (1)
	1994	N/A	N/A	N/A	N/A
Linda R. Engelbrecht....	1996	132,000	51,460	0	7,920 (1)
Controller	1995	119,910	36,000	0	7,195 (1)
	1994	N/A	N/A	N/A	N/A

&lt;/TABLE&gt;



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- 
- (1) These payments represent the Company's matching contributions to this individual's qualified and non-qualified savings plans' accounts.
  - (2) Mr. Monti became a consultant, officer and director of the Company on August 21, 1995, and an employee of the Company on October 9, 1995. He received \$120,000 of this amount from YPF in respect of his serving as President and Chief Executive Officer of the Company prior to the date on which he became an employee.
  - (3) Mr. Monti was paid this amount as a signing bonus upon commencement of his employment with the Company.
  - (4) Effective July 1, 1996, Messrs. Monti, Miller and Forrest were granted stock appreciation rights ("SARs") pursuant to the Maxus Energy Corporation Stock Appreciation Rights Plan (the "Probac") as indicated. The securities underlying the SARs granted pursuant to the Probac are YPF's Class D shares. Each such SAR represents the right to receive in cash on the exercise dates the amount, if any, by which the value of the YPF Class D shares on such exercise dates exceeds the "Initial Value" thereof as defined in the Probac, not to exceed 100%. The SARs are automatically exercised without any action by the holders in equal one-thirds on the third, fourth and fifth anniversaries of the grant date of such SARs. Under the Probac, holders of SARs do not acquire any right to receive YPF Class D shares; SARs are payable in cash only.
  - (5) \$76,592 of this amount represents a payment made in accordance with Mr. Miller's employment agreement (see --"Employment Contracts, Termination of Employment and Change in Control Agreements"), and \$10,800 represents the Company's matching contribution to Mr. Miller's qualified and non-qualified savings plan account.
  - (6) \$76,592 of this amount represents a payment made in accordance with Mr. Miller's employment agreement (see --"Employment Contracts, Termination of Employment and Change in Control Agreements"), and \$10,494 of such amount represents the Company's matching contribution to Mr. Miller's qualified and non-qualified savings plan accounts.
  - (7) \$182,102 of this amount represents payment in 1996 with respect to the surrender in 1995 pursuant to the terms of the Merger Agreement of options and SARs held by Mr. Forrest (see "Aggregated Option/SAR Exercises in the Last Fiscal Year and FY-End Option/SAR Values") and \$10,500 represents the Company's matching contributions to Mr. Forrest's qualified and non-qualified savings plans' account.
  - (8) \$1,075,383 of this amount represents a payment made in accordance with Mr. Forrest's change in control agreement (see --"Employment Contracts, Termination of Employment and Change in Control Agreements"); \$199,988 represents payment in respect of the surrender pursuant to the terms of the Merger Agreement of options and SARs held by Mr. Forrest; and \$15,661 of such amount represents the Company's matching contributions to Mr. Forrest's qualified and non-qualified savings plan accounts.

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## OPTION/SAR GRANTS IN LAST FISCAL YEAR

&lt;TABLE&gt;

&lt;CAPTION&gt;

NAME	INDIVIDUAL GRANTS (1)					GRANT DATE PRESENT VALUE \$ (2)
	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED (#)	PERCENT OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OF BASE PRICE (\$/SH)	EXPIRATION DATE		
<S>	<C>	<C>	<C>	<C>	<C>	
Roberto Monti.....	35,477	44.8%	\$22.55	7/01/01		164,252.87
W. Mark Miller.....	7,982	10.1%	\$22.55	7/01/01		36,955.39
Michael C. Forrest.....	7,761	9.8%	\$22.55	7/01/01		35,932.20
David A. Wadsworth.....	0	N/A	N/A	N/A		N/A
Linda R. Engelbrecht....	0	N/A	N/A	N/A		N/A

&lt;/TABLE&gt;

- (1) Effective July 1, 1996, Messrs. Monti, Miller and Forrest were granted SARs pursuant to the Probac. The securities underlying the SARs granted pursuant to the Probac are YPF's Class D shares. Each such SAR represents the right to receive in cash on the exercise dates the amount, if any, by which the value of the YPF Class D shares on such exercise dates exceeds the "Initial Value" thereof as defined in the Probac, not to exceed 100%. The SARs are automatically exercised without any action by the holders in equal one-thirds on the third, fourth and fifth anniversaries of the grant date of such SARs. Under the Probac, holders of SARs do not acquire any right to receive YPF Class D shares; SARs are payable in cash only.
- (2) The grant date present value was determined using a variation of the Black-Sholes option pricing model. In determining such value, the expected volatility of the YPF Class D shares was assumed to be 24%, the risk-free rate of return was based on zero-coupon Treasury yields as listed in "The Wall Street Journal" on July 1, 1996 for close of trading activity on July 1, 1996 (range from 6.4% to 6.6%), dividend yield was assumed to be 3.6%, and the time of exercise was assumed to be, as to one-third of the SARs granted on a particular date, the third, fourth and fifth anniversaries of such grant date. No adjustments were made for non-transferability or risk of forfeiture.

AGGREGATED OPTION/SAR EXERCISES IN THE LAST FISCAL YEAR  
AND FY-END OPTION/SAR VALUES

<TABLE>  
<CAPTION>

NAME	SHARES		NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FY-END (#)	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FY-END (\$)
	ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)		
----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Roberto Monti.....	0	0	0/0	0/0
W. Mark Miller.....	0	0	0/0	0/0
Michael C. Forrest.....	0	182,102*	0/0	0/0
David A. Wadsworth.....	0	0	0/0	0/0
Linda R. Engelbrecht.....	0	0	0/0	0/0

</TABLE>

\* Although Mr. Forrest surrendered all of his options and SARs in 1995, payment was not made in 1995 by the Company with respect to a certain number of such options and SARs due to then pending tax and other questions. Such questions have been resolved and Mr. Forrest received this amount in 1996 for his surrendered options and SARs.

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EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL AGREEMENTS

The Company entered into an agreement effective July 1, 1995 in replacement of a change in control agreement (discussed below under Change in Control Agreements) dated November 1, 1991 with Mr. Miller, Executive Vice President and Treasurer of the Company, under which Mr. Miller is to be employed for a term of four years from July 1, 1995 at not less than his then-current salary, plus an annual bonus not less than the amount of the largest bonus paid to Mr. Miller in respect of the years 1992, 1993 or 1994, and a "sign-on" bonus in the amount of \$76,592. In addition, a "stay on" bonus in the amount of \$76,592 is payable under this agreement on each of July 1, 1996, 1997 and 1998 provided, as to each such "stay on" bonus, that Mr. Miller continues to be an employee of the Company on the respective payment date. Under the agreement, in the event that Mr. Miller's employment is terminated under certain circumstances, severance compensation will be paid to Mr. Miller as specified therein.

In December 1995, the Company entered an agreement with Mr. Monti, a director and the President and Chief Executive Officer of the Company, pursuant to which his Foreign Service Pay, as defined in such agreement, payable with respect to services rendered from and after January 1, 1996 will be credited by the Company to a deferral account which will bear interest at a specified rate and the balance of which will be paid to Mr. Monti under

certain circumstances, including termination of his employment with the Company.

Mr. Blackburn, a director and formerly the Chairman, President and Chief Executive Officer of the Company, became an international consultant during 1995 to YPF pursuant to a consulting agreement which was subsequently assigned to the Company. Under the two-year contract, Mr. Blackburn will be available to render consulting services for a minimum of 60 days per year and be paid a retainer of \$180,000 per year. Mr. Blackburn will be paid \$3,000 per day for each day of consulting provided in excess of 60 days per year. Office space is made available to him in Dallas and Buenos Aires. During 1996, Mr. Blackburn was paid a total of \$180,000 under the terms of this contract which expires April 30, 1997.

**Termination of Employment Agreements.** In August 1995, the Company entered into an agreement with Mr. Monti under which he will receive a severance payment from the Company in the amount of \$3 million in the event that his employment with the Company is terminated (i) by Mr. Monti or the Company for reason of death or disability; (iii) by the Company other than for cause; (iii) by Mr. Monti for any reason within six months following a take-over (other than to accept employment with YPF); and (iv) by Mr. Monti for any reason after reaching age 65.

**Separation Pay Plan.** Under the Separation Pay Plan, most employees (other than non-resident aliens), excluding Mr. Monti (who has waived any rights thereunder) but including the other named executive officers, are eligible for separation pay if their employment is terminated for any reason other than death, voluntary termination of employment, voluntary retirement or discharge for reasons of criminal activity, willful misconduct, gross negligence in the performance of duties or violation of Company policy. The payment to be received under the plan by a particular employee depends on his job classification and length of service and whether termination occurs after the elimination of the employee's position or a change in control of the Company (as defined in the plan). In the case of the named executive officers, the plan provides in most cases for separation pay in an amount equal to two-weeks' base pay for each year of service with the Company, plus three months' base pay, not to exceed a maximum of 12 months' base pay; and, in the case of a change in control of the Company, separation pay in an amount equal to one month's base pay for each year of service with the Company, but not less than 12 months' base pay nor more than 24 months' base pay. The plan requires that employees sign releases as a condition of receiving separation pay. Executive officers are not entitled to separation pay under the plan to the extent they receive severance payments under the change in control agreements discussed below or employment contracts discussed above.

**Change in Control Agreements.** In 1987 or thereafter, the Company entered into agreements with certain executive officers including Messrs. Forrest and Miller which were binding upon execution but were to become operative on a change of control of the Company. Pursuant to the terms of said agreements, they became operative when YPF acquired control of the Company.

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Under these agreements, the executive officer was entitled to continue in the employ of the Company until the earlier of the expiration of the third anniversary of the occurrence of a "change in control" or the executive's death at an annual base salary of not less than the rate in effect upon the occurrence of a change in control plus an incentive award of not less than the highest such award received by the executive for any year in the three calendar years immediately preceding the change in control. In the event the Company terminates the executive's employment during such term without cause, the executive will be entitled to receive as severance compensation a lump-sum payment equal to the present value of the cash compensation payable under the agreement in the absence of such termination, not to exceed 299% of his "base amount" as defined in the Internal Revenue Code of 1986, as amended (the "Code"), without any reduction for subsequent earnings.

In April 1995, all of the Company's then executive officers, including Mr. Forrest, gave notice of their intent to resign under circumstances in which they had the right to receive severance payments under the change in control agreements, and the Company paid the prescribed severance amounts. Mr. Forrest subsequently agreed to continue in the employment of the Company as an "at will" employee at a reduced salary.

#### RETIREMENT PROGRAM

Effective February 1, 1987, the Company adopted a new retirement income plan (the "New Retirement Income Plan") applicable to most of its employees to

replace the Company's former retiremer. Income plans under which such employees ceased to accrue benefits on January 31, 1987. Under the New Retirement Income Plan, a covered employee acquires a right upon retirement to a yearly amount equal to 2% of the employee's earnings during each year from February 1, 1987 forward (rather than on final compensation or average final compensation) without offset for social security benefits. Benefits under the New Retirement Income Plan become vested after five years of service. Benefits may be paid in equal monthly installments, starting on the date of retirement and continuing until death, or employees may select one of a number of optional forms of payment having equal actuarial value as provided in the plan. The benefits payable under the New Retirement Income Plan are subject to maximum limitations under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code. In the case of the named executives, if benefits at the time of retirement exceed the then permissible limits of such statutes, the excess would be paid by the Company from the "SERP" described below.

The Company has an unfunded Supplemental Executive Retirement Plan (the "SERP") that provides additional benefits to the Company's highest ranking officer, the other named executives and to certain executive employees designated by the highest ranking officer. Under the SERP, a participant acquires the right to a lump sum amount upon retirement which is the actuarial equivalent of a straight life or, if married, a 50% joint and survivor annuity payable monthly in an amount equal to (a) the sum of (i) 1.6% of the participant's average monthly compensation in 1986 times his years of service through January 31, 1987, plus (ii) 2% of the participant's average monthly compensation after January 31, 1987 times his years of service after January 31, 1987 plus an additional five years less (b) the amount of the benefits calculated for such participant under the Company's other retirement plans. The maximum benefit payable is 60% of the participant's high three-year average pay. The amounts calculated under the SERP are not subject to any reduction for Social Security and are not determined primarily by final compensation or average final compensation and years of service. If a participant dies while still employed by the Company and is survived by an eligible spouse, the surviving spouse will receive a lump-sum payment equal to the present value of one-half of the benefit which would have been payable to the participant at his normal retirement age under the SERP assuming the participant had terminated employment with the Company at the time of his death with a vested interest under the SERP and that the participant survived to his normal retirement age. In the case of retirement after age 55 but before age 60, the supplemental retirement benefits generally will be reduced by 5% for each year that the employee's actual retirement date precedes age 60. The benefits provided under the plan will vest upon completion of five years of service or attainment of age 55.

The estimated annual benefits payable upon retirement at normal retirement age (or January 1, 1997 in those cases in which the participant's age on that date was greater than normal retirement age) under the Company's

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retirement plans as supplemented by the SERP based on service and compensation through December 31, 1996 for the executive officers named in the compensation table are as follows: Mr. Monti--\$98,668, Mr. Miller--\$50,687, Mr. Forrest--\$63,622, Mr. Wadsworth--\$56,356 and Mrs. Engelbrecht--\$36,956.

Whether any amounts actually become payable in whole or in part depends on the contingencies and conditions governing the applicable retirement plan.

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 1996, the Compensation Committee of the Board of Directors consisted of Nells Leon, Cedric Bridger and James R. Lesch.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

##### BENEFICIAL OWNERSHIP OF SECURITIES

The following table sets forth the beneficial ownership (as defined in the rules of the Securities and Exchange Commission) as of February 1, 1997 of the equity securities of the Company and YPF by the directors, the named executive officers and all directors and executive officers as a group. At such date, none of the directors or executive officers beneficially owned any \$2.50 Preferred Stock.

&lt;TABLE&gt;

&lt;CAPTION&gt;

AMOUNT AND NATURE  
OF SECURITIES

NAME OF BENEFICIAL OWNER	TITLE OF SECURITY	BENEFICIALLY OWNED
<S>	<C>	<C>
C. L. Blackburn.....	Common Stock.....	0
	YPF Class "D".....	0
Cedric Bridger.....	Common Stock.....	0(1)
	YPF Class "D".....	3,942
Linda R. Engelbrecht.....	Common Stock.....	0
	YPF Class "D".....	0
Michael C. Forrest.....	Common Stock.....	0
	YPF Class "D".....	4,000
George L. Jackson.....	Common Stock.....	0
	YPF Class "D".....	0
Nells Leon.....	Common Stock.....	0(1)
	YPF Class "D".....	0(2)
James R. Lesch.....	Common Stock.....	0(1)
	YPF Class "D".....	2,000
W. Mark Miller.....	Common Stock.....	0
	YPF Class "D".....	0
Roberto Monti.....	Common Stock.....	0(1)
	YPF Class "D".....	0
P. Dexter Peacock.....	Common Stock.....	0(1)
	YPF Class "D".....	0
David A. Wadsworth.....	Common Stock.....	0
	YPF Class "D".....	0
R. A. Walker.....	Common Stock.....	0
	YPF Class "D".....	0
Directors and Executive Officers as a group.....	Common Stock.....	0(1)(3)
	YPF Class "D".....	9,942(2)(3)

&lt;/TABLE&gt;

- (1) Does not include Common Stock owned by YPF, as to which each of Messrs. Bridger, Leon, Lesch, Monti and Peacock disclaim any beneficial ownership.
- (2) Does not include 347 YPF Class "D" shares owned by Mr. Leon's wife, as to which Mr. Leon disclaims any beneficial ownership.
- (3) Directors and executive officers as a group owned no Common Stock and less than 1% of the YPF Class "D" shares.

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To the knowledge of the Company, as of February 1, 1997, no person beneficially owned more than 5% of any class of the Company's voting securities except as set forth below:

<TABLE>  
<CAPTION>

NAME AND ADDRESS OF BENEFICIAL OWNER	TITLE OF CLASS	AMOUNT AND NATURE OF SHARES BENEFICIALLY OWNED	PERCENT OF CLASS
<S>	<C>	<C>	<C>
YPF Sociedad Anonima..... Avenida Pte. Roque Saenz Pena 777 1364 Buenos Aires Argentina	Common Stock	147,246,135	100%
Kidder, Peabody Group Inc..... 10 Hanover Square New York, New York 10005	Common Stock	8,000,000(1)	5.2%

&lt;/TABLE&gt;

- (1) Kidder, Peabody Group Inc. ("Kidder") reported on Schedule 13D dated October 10, 1992 that it owns 8,000,000 warrants, each representing the right to purchase from the Company at any time prior to 5:00 p.m. on October 10, 1997 one share of Common Stock at a price of \$13.00 per share. The 8,000,000 shares of Common Stock reported as beneficially owned by Kidder result from the assumed exercise of all 8,000,000 of such warrants. According to said Schedule 13D, General Electric Company is the indirect parent of Kidder. The information herein regarding such shares assumes that Kidder's beneficial ownership thereof had not changed as of February 1, 1997 and is included herein in reliance on such filing, except that the percent of class is based upon the Company's calculations made in reliance upon the information regarding such shares contained in such filing.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The Company has business transactions and relationships in the ordinary course of business with unaffiliated corporations and institutions with which certain of its directors, executive officers and substantial stockholders are affiliated, including the transactions discussed below. All such transactions are conducted on an arm's length basis.

On July 1, 1996, Maxus International Energy Company ("Seller"), a wholly owned subsidiary of Maxus, sold all of the issued and outstanding stock of its wholly owned subsidiary, YPF International Ltd. ("International"), to YPF, the indirect parent of YPF Holdings, Inc., the owner of all of the issued and outstanding capital stock of Maxus. As of September 1, 1996, Seller sold all of the capital stock of Maxus Guarapiche Ltd., a wholly owned subsidiary of Maxus, to International. As of August 1, 1996, Maxus transferred certain liabilities related to environmental matters to Chemical Land Holdings, Inc. ("CLH"), an indirect wholly owned subsidiary of YPF. In connection with the transfer, CLH assumed (the "Assumption") the liabilities so transferred and YPF committed to contribute to the capital of CLH up to the amount of \$108 million to enable CLH to satisfy its obligations under the Assumption. For a further discussion of these transactions, see "Item 1. Business and Properties--General Reorganization." During 1996 and in the ordinary course of its business, the Company sold electrical generators to YPF for \$5.4 million.

During the twelve months ended December 31, 1996, YPF made capital contributions to the Company in the aggregate amount of \$64 million pursuant to the terms of the Keepwell Covenant (see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources"). It is not anticipated that YPF will be required to make capital contributions to the Company in 1997. However, should such capital contributions be required during 1997, they will be credited to YPF's obligations under the Keepwell Covenant and will entitle YPF to shares of Common Stock. In addition, YPF made capital contributions to CLH in 1996 in the amount of \$8 million to enable CLH to perform its obligations under the Assumption, and it is anticipated that YPF could be required to make capital contributions in 1997 to CLH totalling \$25 million to \$50 million.

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At December 31, 1996, advances to the Company from YPF were \$182 million. Based on 1997 projections, the Company anticipates that YPF will make cash advances of approximately \$150 to \$200 million to the Company during 1997. The Company and YPF entered into a loan agreement ("Loan Agreement") during 1996 to facilitate short-term loans by YPF to the Company and short-term loans by the Company to YPF of excess cash balances. At December 31, 1996, there were no loans outstanding under the Loan Agreement. It is expected that loans will be made by the parties under the Loan Agreement during 1997, and while the number and amounts thereof are not presently known, it is expected that they will aggregate in excess of \$60,000.

Mr. Peacock, a director of the Company, is a partner in the law firm of Andrews & Kurth L.L.P. Andrews & Kurth provided certain legal services to the Company, the fees for which the Company paid the firm approximately \$1.4 million in 1996. It is anticipated that Andrews & Kurth will continue to provide legal services to the Company during 1997 and that the fees for such services will be somewhat lower.

During 1996, the Company and YPF entered into a services agreement ("Services Agreement") whereby the Company would render or arrange for services to be rendered to or for the benefit of YPF and YPF would render or arrange for services to be rendered to or for the benefit of the Company, and each party would be compensated on the basis of the cost to them of such services. During 1996, the Company did not render services to YPF under the Services Agreement. It is expected that the parties will render services to each other during 1997. The cost of these services is not presently known, but it is expected that it will exceed \$60,000.

During 1996, Prudential was the record or beneficial owner of more than 5% of one or more of the classes of the Company's voting securities. Mr. Walker, an officer of Prudential, was elected as a director of the Company by Prudential as holder of all of the \$9.75 Preferred Stock and pursuant to the terms thereof. The Company offers its employees the opportunity to participate in medical programs administered by Prudential. In addition, Prudential provides services and coverages relating to pension and life insurance programs for retired employees of Gateway Coal Company, a partnership owned by the Company. During 1996, the Company paid Prudential approximately \$200,000 for these services. The Company and Prudential have agreed that Prudential will continue to perform such services during 1997 and anticipate that the

fees for the year will be somewhat hig. ..

#### PART IV

#### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) Documents filed as part of this report:

(1) Financial Statements--The following financial statements appear on pages F-1 through F-23 and pages F-25 through F-70 of this report.

Consolidated Statement of Operations for the three months ended March 31, 1995 and the year ended December 31, 1994.

Consolidated Balance Sheet at March 31, 1995.

Consolidated Statement of Cash Flows for the three months ended March 31, 1995 and the year ended December 31, 1994.

Notes to Consolidated Financial Statements.

Report of Independent Public Accountants--Arthur Andersen LLP.

Report of Independent Public Accountants--Price Waterhouse LLP.

Financial Supplementary Information (unaudited).

Consolidated Statement of Operations for the twelve months ended December 31, 1996 and the nine months ended December 31, 1995.

Consolidated Balance Sheet at December 31, 1996 and 1995.

Consolidated Statement of Cash Flows for the twelve months ended December 31, 1996 and the nine months ended December 31, 1995.

Notes to Consolidated Financial Statements.

Financial Supplementary Information (unaudited).

Quarterly Data (unaudited).

(2) Financial Statement Schedules.

None

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Condensed parent company financial information has been omitted, since the amount of restricted net assets of consolidated subsidiaries does not exceed 25% of total consolidated net assets. Also, footnote disclosure regarding restrictions on the ability of both consolidated and unconsolidated subsidiaries to transfer funds to the parent company has been omitted since the amount of such restrictions does not exceed 25% of total consolidated net assets.

(3) Exhibits.

Each document marked by an asterisk is incorporated herein by reference to the designated document previously filed with the Securities and Exchange Commission (the "Commission"). Each of Exhibits Nos. 10.1 through 10.23 is a management contract or compensatory plan, contract or arrangement required to be filed as an exhibit hereto by Item 14(c) of Form 10-K.

- 3(i) --Restated Certificate of Incorporation of the Company, filed herewith.
- 3(ii) --By-Laws of the Company (Exhibit 3(ii).2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995).\*
- 4.1 --Indenture dated as of April 1, 1978 between Diamond Shamrock Corporation ("Diamond") and Mellon Bank, N.A. relating to Diamond's \$150,000,000 8 1/2% Sinking Fund Debentures due April 1, 2008 (Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992 [the "1992 Form 10-K"])\*.

- 4.2 --First Supplemental Indenture dated as of January 26, 1984 among the Company, Diamond Shamrock Chemicals Company ("Chemicals") and Mellon Bank, N.A. supplementing the Indenture described in Exhibit 4.1 above (Exhibit 4.2 to the 1992 Form 10-K).\*
- 4.3 --Tri Party Agreement dated January 24, 1993 appointing Chemical Bank as successor trustee under the Indenture described in Exhibit 4.1 above (Exhibit 4.3 to the Company's Current Report on Form 8-K dated January 12, 1994 [the "January 12 Form 8-K"]).\*
- 4.4 --Indenture dated as of May 1, 1983 between Diamond and The Bank of New York, successor in interest to NationsBank of Texas, N.A., successor trustee to Mellon Bank, N.A. relating to unspecified Debt Securities of Diamond (Exhibit 4.4 to the 1992 Form 10-K).\*
- 4.5 --Resolutions of the Board of Directors of Diamond supplementing the Indenture described in Exhibit 4.4 above and establishing terms and conditions of Diamond's \$150,000,000 11 1/4% Sinking Fund Debentures due May 1, 2013 (Exhibit 4.5 to the 1992 Form 10-K).\*
- 4.6 --First Supplemental Indenture dated as of January 26, 1984 among the Company, Chemicals and Mellon Bank, N.A. supplementing the Indenture and the resolutions described in Exhibits 4.4 and 4.5, respectively, above (Exhibit 4.6 to the 1992 Form 10-K).\*
- 4.7 --Tri Party Agreement dated January 12, 1994 appointing NationsBank of Texas, N.A. as successor trustee under the Indenture described in Exhibit 4.4 above (Exhibit 4.1 to the January 12 Form 8-K).\*
- 4.8 --Indenture dated as of November 1, 1985 between the Company and The Bank of New York, successor in interest to NationsBank of Texas, N.A., successor trustee to Mellon Bank, N.A. relating to unspecified Debt Securities of the Company (Exhibit 4.8 to the 1992 Form 10-K).\*
- 4.9 --Resolutions of an ad hoc committee of the Board of Directors of the Company supplementing the Indenture described in Exhibit 4.8 above and establishing terms and conditions of the Company's \$150,000,000 11 1/2% Sinking Fund Debentures due November 15, 2015 (Exhibit 4.9 to the 1992 Form 10-K).\*
- 4.10 --Tri Party Agreement dated January 12, 1994 appointing NationsBank of Texas, N.A. as successor trustee under the Indenture described in Exhibit 4.8 above (Exhibit 4.2 to the January 12 Form 8-K).\*

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- 4.11 --Indenture dated as of April 1, 1988 between the Company and Chemical Bank relating to unspecified debt securities of the Company (Exhibit 4.11 to the 1992 Form 10-K).\*
- 4.12 --Officers' Certificate dated June 1, 1988 establishing a series of debt securities (\$150,000,000 Medium-Term Notes, Series A) to be issued under the Indenture described in Exhibit 4.11 above (Exhibit 4.12 to the 1992 Form 10-K).\*
- 4.13 --Indenture dated as of November 1, 1990 between the Company and Chemical Bank relating to unspecified debt securities of the Company (Exhibit 4.13 to the 1992 Form 10-K).\*
- 4.14 --Officers' Certificate dated February 13, 1991 establishing a series of debt securities (\$150,000,000 Medium-Term Notes, Series B) to be issued under the Indenture described in Exhibit 4.13 above (Exhibit 4.14 to the 1992 Form 10-K).\*
- 4.15 --Officers' Certificate dated September 28, 1992 establishing a series of debt securities (\$250,000,000 9% Notes Due 2002) to be issued under the Indenture described in Exhibit 4.13 above (Exhibit 4.15 to the 1992 Form 10-K).\*
- 4.16 --Officers' Certificate dated January 26, 1993 establishing a series of debt securities (\$100,000,000 9 1/2% Notes Due 2003)



to be issued under the Indenture described in Exhibit 4.13 above (Exhibit 4.16 to the 1992 Form 10-K).\*

- 4.17 --Officer's Certificate dated June 30, 1993 establishing a series of debt securities (\$150,000,000 Medium-Term Notes, Series C) to be issued under the Indenture described in Exhibit 4.13 above (Exhibit 4 to the Company's Current Report on Form 8-K dated June 21, 1993).\*
- 4.18 --Officer's Certificate dated October 27, 1993 establishing a series of debt securities (\$200,000,000 9 3/8% Notes due 2003) to be issued under the Indenture described in Exhibit 4.13 above (Exhibit 4 to the Company's current Report on Form 8-K dated October 20, 1993).\*
- 4.19 --Officer's Certificate dated January 18, 1994 establishing a series of debt securities (\$60,000,000 9 3/8% Notes due 2003) to be issued under the Indenture described in Exhibit 4.13 (Exhibit 4 to the Company's Current Report on Form 8-K dated January 10, 1994).\*
- 4.20 --Warrant Certificate No. 1 dated October 10, 1992 issued to Kidder, Peabody Group Inc. for 8,000,000 warrants each representing the right to purchase from the Company on or prior to October 10, 1997 one share of common stock, \$1.00 par value, of the Company at a price of \$13.00 per share (Exhibit 4.23 to the 1992 Form 10-K).\*
- 4.21 --Registration Rights Agreement dated as of October 10, 1992 between Kidder, Peabody Group Inc. and the Company (Exhibit 4.24 to the 1992 Form 10-K).\*
- 4.22 --Agreement of Merger, dated February 28, 1995, among the Company, YPF Sociedad Anonima ("YPF") and YPF Acquisition Corp. ("YPFA") (Exhibit 3 to the Company's Schedule 14D-9 dated March 3, 1995 [the "Schedule 14D-9"])\*.
- 4.23 --Credit Agreement dated as of June 8, 1995, between Midgard Energy Company, the lenders signatory thereto and The Chase Manhattan Bank (National Association) ("Chase"), as agent (Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 8, 1995 [the "June 8, 1995 Form 8-K"])\*.
- 4.24 --Assumption Agreement dated August 14, 1996 between the Company and Chemical Land Holdings, Inc., filed herewith.
- 10.1 --Performance Incentive Plan of the Company, as amended effective January 1, 1986 (Exhibit 10.6 to the 1992 Form 10-K).\*
- 10.2 --Specimen copy of Change of Control Agreement between the Company and certain of its former executive officers (Exhibit 10.7 to the 1992 Form 10-K).\*

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- 10.3 --Specimen copy of letter agreement between the Company and certain of its former executive officers relating to the Agreements referred to in Exhibit 10.2 above (Exhibit 10.8 to the 1992 Form 10-K).\*
- 10.4 --Specimen copy of disability benefit arrangement between the Company and its executive officers (Exhibit 10.10 to the 1992 Form 10-K).\*
- 10.5 --Supplemental Executive Retirement Plan of the Company, effective May 1, 1987 (Exhibit 10.11 to the 1992 Form 10-K).\*
- 10.6 --Supplemental Executive Retirement Plan of the Company, effective March 1, 1990 (Exhibit 10.12 to the 1992 Form 10-K).\*
- 10.7 --Specimen copy of supplemental death benefit arrangement between the Company and its executive officers (Exhibit 10.13 to the 1992 Form 10-K).\*
- 10.8 --Maxus Energy Corporation Supplemental Savings Plan (as amended and restated effective June 8, 1995) (Exhibit 10.8 to the

Company's Annual Report . Form 10-K for the year ended December 31, 1995 [the "1995 Form 10-K"]).\*

- 10.9 --Trust Agreement dated December 18, 1986 between the Company and AmeriTrust Company National Association (Exhibit 10.15 to the 1992 Form 10-K).\*
- 10.10 --Deferred Compensation Plan for Executives of the Company, effective September 28, 1993 (Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993).\*
- 10.11 --Distribution Agreement dated as of April 22, 1987 between the Company and Diamond Shamrock R&M, Inc. (Exhibit 10.23 to the 1992 Form 10-K).\*
- 10.12 --Stock Purchase Agreement by and among the Company and Occidental Petroleum Corporation, et. al. dated September 4, 1986 (Exhibit 10.25 to the 1992 Form 10-K).\*
- 10.13 --Agreement of Merger dated as of February 28, 1995 among YPF, YPFA and the Company (Exhibit 3 to the Schedule 14D-9).\*
- 10.14 --International Consulting Agreement, dated May 1, 1995 between C. L. Blackburn and YPF (Exhibit 10.15 to the 1995 Form 10-K).\*
- 10.15 --Assignment of International Consulting Agreement, dated November 2, 1995 between C. L. Blackburn, YPF, and the Company (Exhibit 10.16 to the 1995 Form 10-K).\*
- 10.16 --Maxus Severance Agreement dated August 3, 1995 between the Company and Roberto Luis Monti (Exhibit 10.17 to the 1995 Form 10-K).\*
- 10.17 --Compensation Agreement dated December 27, 1995 between the Company and Roberto L. Monti (Exhibit 10.18 to the 1995 Form 10-K).\*
- 10.18 --Amendment to Change in Control Agreement dated May 11, 1995 between the Company and W. Mark Miller (Exhibit 10.21 to the 1995 Form 10-K).\*
- 10.19 --Employment Agreement effective as of July 1, 1995 between the Company and W. Mark Miller (Exhibit 10.22 to the 1995 Form 10-K).\*
- 10.20 --Specimen copy of a letter agreement regarding Change in Control Agreement dated April 7, 1995 between the Company and certain of its executive officers (Exhibit 10.23 to the 1995 Form 10-K).\*
- 10.21 --Letter Agreement regarding Change in Control Agreement dated April 13, 1995 between the Company and Michael C. Forrest (Exhibit 10.24 to the 1995 Form 10-K).\*
- 10.22 --Specimen copy of a letter agreement regarding Change in Control Agreement dated April 13, 1995 between the Company and certain of its executive officers (Exhibit 10.26 to the 1995 Form 10-K).\*

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<PAGE>

- 10.23 --Maxus Energy Corporation Stock Appreciation Rights Plan dated August 30, 1996, filed herewith.
- 21.1 --List of Subsidiaries of the Company, filed herewith.
- 23.1 --Consent of Independent Accountants, filed herewith.
- 23.2 --Consent of Independent Accountants, filed herewith.
- 24.1 --Powers of Attorney of directors and officers of the Company, filed herewith.
- 24.2 --Power of Attorney of the Company, filed herewith.
- 27.1 --Financial Data Schedule, filed herewith.

(b) Reports on Form 8-K.

None.

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&lt;PAGE&gt;

## SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

Maxus Energy Corporation

Roberto Monti\*

By \_\_\_\_\_

Roberto Monti  
President and  
Chief Executive Officer

March 20, 1997

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATE INDICATED.

SIGNATURE	TITLE
Roberto Monti*	President and Chief Executive Officer and Director
----- Roberto Monti	
W. Mark Miller*	Executive Vice President and Treasurer (principal financial officer)
----- W. Mark Miller	
Linda R. Engelbrecht*	Controller (principal accounting officer)
----- Linda R. Engelbrecht	
Charles L. Blackburn*	Director
----- Charles L. Blackburn	
Cedric Bridger*	Director
----- Cedric Bridger	
George L. Jackson*	Director
----- George L. Jackson	
Nells Leon*	Director
----- Nells Leon	
James R. Lesch*	Director
----- James R. Lesch	
P. Dexter Peacock*	Director
----- P. Dexter Peacock	
R. A. Walker*	Director
----- R. A. Walker	

Lynne P. Ciuba, by signing her name hereto, does hereby sign this report on Form 10-K on behalf of each of the above-named officers and directors of the registrant pursuant to a power of attorney executed by each of such officers and directors.

/s/ Lynne P. Ciuba

March 20, 1997

\*By \_\_\_\_\_

Lynne P. Ciuba

Attorney-in-fact

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MAXUS ENERGY CORPORATION  
CONSOLIDATED STATEMENT OF OPERATIONS

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, 1994
	(IN MILLIONS, EXCEPT PER SHARE)	
<S>	<C>	<C>
Revenues		
Sales and operating revenues.....	\$142.5	\$ 682.1
Other revenues, net.....	9.6	9.0
	-----	-----
	152.1	691.1
Costs and Expenses		
Operating expenses.....	64.6	242.8
Gas purchase costs.....	12.7	116.9
Exploration, including exploratory dry holes.....	8.9	35.5
Depreciation, depletion and amortization.....	29.9	140.2
General and administrative expenses.....	4.2	22.4
Taxes other than income taxes.....	3.1	12.9
Interest and debt expenses.....	24.1	96.7
Pre-merger costs.....	42.4	
Environmental studies and remediation.....		60.5
Restructuring:		
Gain on sale of assets.....		(201.9)
Restructuring costs.....		100.9
	-----	-----
	189.9	626.9
	-----	-----
Income (Loss) Before Income Taxes.....	(37.8)	64.2
Income Taxes.....	19.1	86.9
	-----	-----
Net Loss.....	(56.9)	(22.7)
Dividend requirement on Preferred Stock.....	(9.6)	(43.6)
	-----	-----
Net Loss Applicable to Common Shares.....	\$ (66.5)	\$ (66.3)
	=====	=====
Net Loss Per Common Share.....	\$ (.49)	\$ (.49)
	=====	=====
Average Common Shares Outstanding.....	135.5	134.7

&lt;/TABLE&gt;

See Notes to Consolidated Financial Statements.

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&lt;PAGE&gt;

MAXUS ENERGY CORPORATION  
CONSOLIDATED BALANCE SHEET

<TABLE>  
<CAPTION>

	ASSETS -----	MARCH 31, 1995 ----- (IN MILLIONS, EXCEPT SHARES) <C>
<S>		
Current Assets		
Cash and cash equivalents.....		\$ 91.6
Short-term investments.....		65.0
Receivables, less allowance for doubtful accounts.....		127.8
Taxes receivable.....		13.7
Inventories.....		28.6
Restricted cash.....		48.5
Prepays and other current assets.....		19.4

Total Current Assets.....	394.6
Properties and Equipment, less accumulated depreciation, depletion and amortization.....	1,110.7
Investments and Long-Term Receivables.....	41.5
Restricted Cash.....	79.9
Intangible Assets, less accumulated amortization.....	35.5
Deferred Income Taxes.....	9.4
Deferred Charges.....	20.5
	-----
	\$ 1,692.1
	=====

&lt;CAPTION&gt;

## LIABILITIES AND STOCKHOLDERS' EQUITY

&lt;S&gt;

## Current Liabilities

Long-term debt.....	\$ 4.7
Accounts payable.....	49.8
Accrued liabilities.....	169.8

&lt;C&gt;

Total Current Liabilities.....	224.3
Long-Term Debt.....	970.9
Deferred Income Taxes.....	199.7
Other Liabilities and Deferred Credits.....	158.7
\$9.75 Redeemable Preferred Stock, \$1.00 par value	
Authorized and issued shares--1,250,000.....	125.0
Stockholders' Equity	
\$2.50 Preferred Stock, \$1.00 par value	
Authorized shares--5,000,000	
Issued shares--3,500,000.....	3.5
\$4.00 Preferred Stock, \$1.00 par value	
Authorized shares--5,915,017	
Issued shares--4,356,958.....	4.4
Common Stock, \$1.00 par value	
Authorized shares--300,000,000	
Issued shares--135,897,899.....	135.9
Paid-in capital.....	966.2
Accumulated deficit.....	(1,073.3)
Minimum pension liability.....	(18.3)
Unrealized loss on marketable securities.....	(1.3)
Common Treasury Stock, at cost--310,535.....	(3.6)
	-----
Total Stockholders' Equity.....	13.5
	-----
	\$ 1,692.1
	=====

&lt;/TABLE&gt;

See "Commitments and Contingencies."

See Notes to Consolidated Financial Statements.

The Company uses the successful efforts method to account for its oil and gas producing activities.

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&lt;PAGE&gt;

## MAXUS ENERGY CORPORATION

## CONSOLIDATED STATEMENT OF CASH FLOWS

&lt;TABLE&gt;

&lt;CAPTION&gt;

	THREE MONTHS ENDED MARCH 31, 1995	TWELVE MONTHS ENDED DECEMBER 31, 1994
	-----	-----
	(IN MILLIONS)	
<S>	<C>	<C>
Cash Flows From Operating Activities:		
Net loss.....	\$(56.9)	\$ (22.7)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization.....	29.9	140.2
Dry hole costs.....	1.0	2.8
Deferred income taxes.....	0.4	(9.3)
Net gain on sale of assets and investments.....	(1.7)	(166.7)
Postretirement benefits.....	1.4	6.2
Pre-merger costs.....	42.4	

Restructuring costs.....		91.0
Environmental studies and remediation.....		60.5
Other.....	1.3	9.2
Changes in components of working capital:		
Receivables.....	23.8	(1.8)
Inventories, prepaids and other current assets.....	(1.4)	(2.3)
Accounts payable.....	(15.1)	(22.3)
Accrued liabilities.....	26.3	(12.5)
Taxes payable/receivable.....	10.1	(2.8)
	-----	-----
Net Cash Provided by Operating Activities...	61.5	69.5
	-----	-----
Cash Flows From Investing Activities:		
Expenditures for properties and equipment--		
including dry hole costs.....	(53.6)	(166.2)
Expenditures for investments.....		(20.1)
Proceeds from sales of assets.....	2.1	377.0
Proceeds from sale/maturity of short-term investments.....	63.4	10.9
Purchases of short-term investments.....	(24.6)	(111.8)
Restricted cash.....	12.2	19.6
Other.....	9.8	(10.8)
	-----	-----
Net Cash Provided by Investing Activities...	9.3	98.6
	-----	-----
Cash Flows From Financing Activities:		
Net borrowings from joint venture partners.....		(4.4)
Interest rate swap.....	3.4	(7.9)
Proceeds from issuance of short-term debt.....		30.0
Repayment of short-term debt.....		(69.1)
Proceeds from issuance of long-term debt.....		101.3
Repayment of long-term debt.....		(137.5)
Stock rights redemption.....	(13.6)	
Redemption of Preferred Stock.....		(125.0)
Dividends paid on Preferred Stock.....	(9.6)	(43.6)
	-----	-----
Net Cash Used in Financing Activities.....	(19.8)	(256.2)
	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents.....	51.0	(88.1)
Cash and Cash Equivalents at Beginning of Year.....	40.6	128.7
	-----	-----
Cash and Cash Equivalents at End of Year.....	\$ 91.6	\$ 40.6
	=====	=====

&lt;/TABLE&gt;

See Notes to Consolidated Financial Statements.

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&lt;PAGE&gt;

## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PRESENTATION

On June 8, 1995, a special meeting of the stockholders of Maxus Energy Corporation (together with its foreign and domestic subsidiaries, the "Company" or "Maxus") was held to approve the Agreement of Merger ("Merger Agreement") dated February 28, 1995, between the Company, YPF Acquisition Corp. (the "Purchaser") and YPF Sociedad Anonima ("YPF"). The holders of the Company's common stock, \$1.00 par value per share, and \$4.00 Cumulative Convertible Preferred Stock approved the Merger Agreement, and the Purchaser was merged into the Company (the "Merger") on June 8, 1995.

Effective April 1, 1995, the Company used the purchase method of accounting to record the acquisition of the Company by YPF. In a purchase method combination, the purchase price is allocated to acquired assets and assumed liabilities based on their fair values at the date of acquisition. As a result, the Company's assets and liabilities were revalued to reflect the approximate \$762 million cash purchase price paid by YPF to acquire the Company. The Company's pre-Merger Consolidated Balance Sheet as of March 31, 1995, together with the purchase method accounting adjustments became the Company's opening post-Merger Consolidated Balance Sheet on April 1, 1995.

The following pre-Merger data is for the three months ended March 31, 1995, and the year ended December 31, 1994 and dollar amounts in tables are in

millions, except per share amounts. The financial statements for the three-month period ended March 31, 1995, and the year ended December 31, 1994 are presented separately as pre-Merger and post-Merger financial information are not comparable.

#### NOTE ONE--SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements have been prepared in conformity with generally accepted accounting principles, the most significant of which are described below.

##### Consolidation and Equity Accounting

The Consolidated Financial Statements include the accounts of Maxus Energy Corporation and all domestic and foreign subsidiaries. All significant intercompany accounts and transactions have been eliminated.

##### Statement of Cash Flows

Investments with original maturities of three months or less at the time of original purchase are considered cash equivalents for purposes of the accompanying Consolidated Statement of Cash Flows. Short-term investments include investments with maturities over three months but less than one year.

Net cash provided by operating activities reflects cash receipts for interest income and cash payments for interest expense and income taxes as follows:

<TABLE>

<CAPTION>

	THREE MONTHS ENDED MARCH 31, 1995	TWELVE MONTHS ENDED DECEMBER 31, 1994
	-----	-----
<S>	<C>	<C>
Interest receipts.....	\$ 7.0	\$12.4
Interest payments.....	12.2	98.7
Income tax payments.....	18.6	98.1

</TABLE>

##### Inventory Valuation

Inventories are valued at the lower of historical cost or market value and are primarily comprised of well equipment and supplies. Historical cost is determined primarily by using the weighted average cost method.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

##### Properties and Equipment

Properties and equipment are carried at cost. Major additions are capitalized; expenditures for repairs and maintenance are charged against earnings.

The Company uses the successful efforts method to account for costs incurred in the acquisition, exploration, development and production of oil and gas reserves. Under this method, all geological and geophysical costs are expensed; all development costs, whether or not successful, are capitalized as costs of proved properties; exploratory drilling costs are initially capitalized, but if the effort is determined to be unsuccessful, the costs are then charged against earnings; depletion is computed based on an aggregation of properties with common geologic structural features or stratigraphic conditions, such as reservoirs or fields.

For investment in unproved properties in the United States, a valuation allowance (included as an element of depletion) is provided by a charge against earnings to reflect the impairment of unproven acreage. Investment in international non-producing leasehold costs are reviewed periodically by management to insure the carrying value is recoverable based upon the geological and engineering estimates of total possible and probable reserves expected to be added over the remaining life of each concession. Based upon increases to proved reserves determined by reserve reports, a portion of the

investment in international non-product. Leasehold costs will be periodically transferred to investment in proved properties.

Depreciation and depletion related to the costs of all development drilling, successful exploratory drilling and related production equipment is calculated using the unit of production ("UOP") method based upon estimated proved developed reserves. Leasehold costs are amortized using the UOP method based on estimated total proved reserves. Other properties and equipment are depreciated generally on the straight-line method over their estimated useful lives. Intangible assets are amortized on the straight-line method over their legal or estimated useful lives, not to exceed 40 years. Estimated future dismantlement, restoration and abandonment costs for major facilities, net of salvage value, are taken into account in determining depreciation, depletion and amortization.

The Company capitalizes the interest cost associated with major property additions and mineral development projects while in progress, such amounts being amortized over the useful lives, and applying the same depreciation method, as that used for the related assets.

When complete units of depreciable property are retired or sold, the asset cost and related accumulated depreciation are eliminated with any gain or loss reflected in other revenues, net. When less than complete units of depreciable property are disposed of or retired, the difference between asset cost and salvage or sales value is charged or credited to accumulated depreciation and depletion.

#### Deferred Charges

Deferred charges are primarily comprised of debt issuance costs and are amortized over the terms of the related debt agreements.

#### Revenue Recognition

Oil and gas sales are recorded on the entitlements method. Differences between the Company's actual production and entitlements result in a receivable when underproduction occurs and a payable when overproduction occurs. These underproduced or overproduced volumes are valued based on the weighted average sales price for each respective property. The Company's gross underproduced and overproduced values at March 31, 1995, are not material.

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### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)

#### Pensions

The Company has a number of trustee noncontributory pension plans covering substantially all full-time employees. The Company's funding policy is to contribute amounts to the plans sufficient to meet the minimum funding requirements under governmental regulations, plus such additional amounts as management may determine to be appropriate. The benefits related to the plans are based on years of service and compensation earned during years of employment. The Company also has a noncontributory supplemental retirement plan for executive officers.

#### Other Postretirement and Postemployment Benefits

The Company provides certain health care and life insurance benefits for retired employees and certain insurance and other postemployment benefits for individuals whose employment is terminated by the Company prior to their normal retirement. The Company accrues the estimated cost of retiree benefit payments, other than pensions, during employees' active service period. Employees become eligible for these benefits if they meet minimum age and service requirements. The Company accounts for benefits provided after employment but before retirement by accruing the estimated cost of postemployment benefits when the minimum service period is met, payment of the benefit is probable and the amount of the benefit can be reasonably estimated. The Company's policy is to fund other postretirement and postemployment benefits as claims are incurred.

#### Environmental Expenditures

Environmental liabilities are recorded when environmental assessments and/or remediation are probable and material and such costs to the Company can be



reasonably estimated. The Company's estimate of environmental assessment and/or remediation costs to be incurred are based on either 1) detailed feasibility studies of remediation approach and cost for individual sites or 2) the Company's estimate of costs to be incurred based on historical experience and publicly available information, based on the stage of assessment and/or remediation of each site. As additional information becomes available regarding each site or as environmental remediation standards change, the Company revises its estimate of costs to be incurred in environmental assessment and/or remediation.

#### Income Taxes

The Company reports income taxes in accordance with Statement of Financial Accounting Standards No. 109 ("SFAS 109"), Accounting for Income Taxes. SFAS 109 requires the use of an asset and liability approach to measure deferred tax assets and liabilities resulting from all expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Additionally, SFAS 109 requires that annual taxes are to be allocated to interim periods on the basis of the requirements of Accounting Principles Board Opinion No. 28 ("APB 28"), Interim Financial Reporting. The reporting requirements of APB 28 are based on the view that each interim period is an integral part of the related annual period.

Because the tax year of the Company did not close in any relevant jurisdiction on March 31, 1995, taxes were not measured on deferred tax liabilities and assets at that time. In accordance with APB 28 and SFAS 109, taxes were allocated to the period based on the estimated annual effective tax rate for the period ended December 31, 1995.

#### Earnings per Share

Primary earnings per share are based on the weighted average number of shares of common stock and common stock equivalents outstanding, unless the inclusion of common stock equivalents has an antidilutive effect on earnings per share. Fully diluted earnings per share are not presented due to the antidilutive effect of including all potentially dilutive common stock equivalents.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

#### Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents, short-term investments, restricted cash and trade receivables.

The Company's cash equivalents, short-term investments and restricted cash represent high-quality securities placed with various high investment grade institutions. This investment practice limits the Company's exposure to concentrations of credit risk.

The Company's trade receivables are dispersed among a broad domestic and international customer base; therefore, concentrations of credit risk are limited. The Company carefully assesses the financial strength of its customers. Letters of credit are the primary security obtained to support lines of credit.

The Company has minimal exposure to credit losses in the event of nonperformance by the counterparties to its interest rate swap agreement, natural gas price swap agreements and nonderivative financial assets. The Company does not obtain collateral or other security to support financial instruments subject to credit risk but restricts such arrangements to investment-grade counterparties.

#### Investments in Marketable Securities

Investments in debt and equity securities are reported at fair value except for those investments in debt securities which management has the intent and the ability to hold to maturity. Investments in debt securities which are "held-for-sale" are classified based on the stated maturity and management's intent to sell the securities. Unrealized gains and losses on investments in

marketable securities, except for debt securities classified as "held-to-maturity", are reported as a separate component of stockholders' equity. The Company's gross unrealized loss on its involvement in marketable securities which are included in long-term investments at March 31, 1995, was \$1.3 million which was entirely comprised of unrealized losses on the Company's investment in U. S. Treasury Notes.

#### Derivatives

The Company periodically hedges the effects of fluctuations in the price of crude oil and natural gas through price swap agreements and futures contracts. The Company historically has hedged no more than 50% of its U. S. gas production. Gains and losses on these hedges are deferred until the related sales are recognized and are recorded as a component of sales and operating revenues. The Company periodically enters into interest rate swap agreements to hedge interest on long-term debt. The gain or loss on interest rate swaps is recognized monthly as a decrease or increase to interest expense.

#### Take-or-Pay Obligations

The Company records payments received for take-or-pay obligations for unpurchased contract volumes as deferred revenue, which is included in Other Liabilities in the consolidated balance sheet. The deferred revenue is recognized in the income statement as quantities are delivered which fulfill the take-or-pay obligation. At March 31, 1995, the Company had \$13.6 million in deferred revenue as a result of a take-or-pay payment received related to its Indonesian operations.

#### NOTE TWO--PRE-MERGER COSTS

In March 1995, the Company recorded \$42.4 million of pre-merger costs associated with the Merger. Such costs, which included expenses associated with financial consulting and legal services, severance payments pursuant to change of control agreements and payments for surrender of stock options and restricted stock, were recorded in accrued liabilities in the consolidated balance sheet.

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<PAGE>

#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

#### NOTE THREE--RESTRUCTURING

##### Asset Sales

On April 25, 1994, Diamond Shamrock Offshore Partners Limited Partnership ("Offshore Partners") sold its interests in Main Pass Blocks 72, 73 and 74. On April 26, 1994, Maxus and its subsidiaries sold all of their partnership interests in Offshore Partners. Maxus Offshore Exploration Company, a wholly owned subsidiary of the Company, and the Company had a combined 1% general partner's interest in offshore partners and were the managing general partner and special general partner, respectively. The Company had an aggregate interest in Offshore Partners of approximately 87.1% at the time of the sale. On June 22, 1994, Maxus also sold the McFarlan Field and Grand Isle Block 25, both producing oil and gas properties. In total, the Company received \$324.6 million of proceeds and recorded a net gain of \$201.9 million from these transactions.

##### Restructuring Costs

In June 1994, the Company recorded a \$100.9 million restructuring charge. The charge included a \$69.8 million write-off associated with undeveloped Alaska coal leases, the development of which did not fit within the Company's strategy to commit funds only to oil and gas exploration and production. The charge also included costs associated with staff reductions and the write-off of non-producing assets outside the Company's core areas.

#### NOTE FOUR--ASSET DIVESTITURES

In September of 1994, the Company sold its geothermal subsidiary, Thermal Power Company, for approximately \$58 million net in cash and a \$6.5 million promissory note due from the purchaser in 1997. A \$12.6 million loss on the sale of these assets was recognized.

During the second quarter of 1994, Maxus Venezuela (C.I.) Ltd., a subsidiary

of Maxus, signed an agreement with BP Exploration de Venezuela S.A., granting BP a 45% interest in the Quiriquire Unit in eastern Venezuela. Maxus Venezuela remained the operator with a 50% interest and Otepi Consultores, a Venezuelan company, holds the remaining 5%. Also, during the second quarter of 1994, Maxus Bolivia, Inc., a subsidiary of Maxus, signed an agreement to take BHP Petroleum as a partner in its Bolivian oil development project. The Company received \$10 million from BHP in exchange for a 50% interest in the project.

#### NOTE FIVE--GEOGRAPHIC DATA

The Company is engaged primarily in the exploration for and the production and sale of crude oil and natural gas.

Sales, operating profit and identifiable assets by geographic area were as follows:

<TABLE>

<CAPTION>

	SALES AND OPERATING REVENUES	
	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, 1994
<S>	<C>	<C>
United States.....	\$ 41.6	\$276.9
Indonesia.....	93.1	381.2
South America.....	7.8	24.0
	-----	-----
	\$142.5	\$682.1
	=====	=====

</TABLE>

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<PAGE>

#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

<TABLE>

<CAPTION>

	OPERATING PROFIT (LOSS)	
	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, 1994
<S>	<C>	<C>
United States.....	\$ 2.9	\$ 35.0
Indonesia.....	36.8	138.5
South America.....	(3.7)	(2.6)
Other foreign.....	(1.7)	(11.6)
	-----	-----
	34.3	159.3
Equity earnings.....		5.2
General corporate expenses.....	(5.6)	(104.6)
Interest and debt expenses.....	(24.1)	(96.7)
Pre-merger costs.....	(42.4)	
Restructuring costs.....		101.0
	-----	-----
	\$(37.8)	\$ 64.2
	=====	=====

</TABLE>

<TABLE>

<CAPTION>

	IDENTIFIABLE ASSETS	
	MARCH 31, 1995	DECEMBER 31, 1994
<S>	<C>	<C>
United States.....	\$ 295.7	\$ 327.0
Indonesia.....	639.0	647.5
South America.....	317.2	304.2
Other foreign.....	15.3	11.4
	-----	-----

	1,267.2	1,290.1
Corporate assets.....	424.9	416.6
	-----	-----
	\$1,692.1	\$1,706.7
	=====	=====

&lt;/TABLE&gt;

Net foreign assets were \$685.5 million at March 31, 1995 and \$701.4 million at December 31, 1994.

Income from foreign operations, after applicable local income taxes, was \$16.7 million for the three months ended March 31, 1995 and \$63.9 million for the year ended December 31, 1994.

Sales to three customers for the three months ended March 31, 1995 and the year ended December 31, 1994 each represented 10% or more of consolidated sales:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	THREE MONTHS ENDED MARCH 31, 1995	TWELVE MONTHS ENDED DECEMBER 31, 1994
	-----	-----
<S>	<C>	<C>
Phillips Petroleum Company.....	\$14.3	\$ 56.4
Mitsubishi Corporation.....	23.4	66.5
Indonesian Government.....	36.4	145.8

&lt;/TABLE&gt;

The Company does not believe that the loss of Mitsubishi Corporation and Phillips Petroleum Company as customers would adversely affect the Company's ability to market its oil and gas production. Sales to the Company's largest customer, the Indonesian Government, are made primarily pursuant to long-term production sharing contracts between the Company's Indonesian operations and the Indonesian Government. The Indonesian Government is required to purchase a specified amount of the Company's oil and gas production throughout the life of its operations in Indonesia based on these contracts.

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&lt;PAGE&gt;

## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

## NOTE SIX--TAXES

Income before income taxes was comprised of income (loss) from:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, 1994
	-----	-----
<S>	<C>	<C>
United States.....	\$ (69.2)	\$ (60.1)
Foreign.....	31.4	124.3
	-----	-----
	\$ (37.8)	\$ 64.2
	=====	=====

&lt;/TABLE&gt;

The Company's provision for income taxes was comprised of the following:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, 1994
	-----	-----
<S>	<C>	<C>
Current		
Federal.....		\$ (20.1)
Foreign.....	\$18.7	73.7
State and local.....		5.5

	-----	-----
	18.7	59.1
Deferred		
Federal.....		24.7
Foreign.....	.4	3.1
	-----	-----
	.4	27.8
	-----	-----
Provision for income taxes.....	\$19.1	\$ 86.9
	=====	=====

&lt;/TABLE&gt;

The principal reasons for the difference between tax expense at the statutory federal income tax rate of 35% and the Company's provision for income taxes were:

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, 1994
	-----	-----
<S>	<C>	<C>
Tax expense at statutory federal rate.....	\$ (13.2)	\$ 22.5
Increase (reduction) resulting from:		
Taxes on foreign income.....	12.4	49.5
Excess statutory depletion.....		(.7)
Asset sales.....		20.5
Alternative minimum tax.....		(.3)
Nondeductible pre-Merger costs.....	4.4	
Valuation allowance.....	13.9	24.9
Items not related to current year earnings.....	1.5	(33.4)
Other, net.....	.1	3.9
	-----	-----
Provision for income taxes.....	\$ 19.1	\$ 86.9
	=====	=====

&lt;/TABLE&gt;

"Items not related to current year earnings" in 1994 includes a tax benefit from the favorable resolution of a federal tax refund suit.

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&lt;PAGE&gt;

## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities for the three months ended March 31, 1995 were as follows:

<TABLE>  
<CAPTION>

	MARCH 31, 1995
	-----
<S>	<C>
U. S. deferred tax liabilities	
Properties and equipment.....	\$ 5.1
Other.....	.2
	-----
Deferred U. S. tax liabilities.....	5.3
	-----
U. S. deferred tax assets	
Foreign deferred taxes.....	(69.9)
Book accruals.....	(34.4)
Loss carryforwards.....	(50.8)
Credit carryforwards.....	(23.2)
Other.....	(.6)
	-----
Gross deferred U. S. tax assets.....	(178.9)
	-----
Valuation allowance.....	163.9
	-----
Net deferred U. S. tax assets.....	(15.0)
	-----

Net deferred U. S. taxes.....	(9.7)
Foreign deferred tax liabilities	
Properties and equipment.....	199.7
Net deferred foreign taxes.....	199.7
Net deferred taxes.....	\$ 190.0
	=====

&lt;/TABLE&gt;

The valuation allowance was \$116.0 million at December 31, 1994. The valuation allowance was increased \$13.9 million during the first three months of 1995, primarily due to the increase in loss carryforwards.

Because the tax year of the Company did not close on March 31, 1995, tax carryovers are not measured at that date. At December 31, 1994, the Company had \$13.1 million of general business credit carryforwards that expire between 1996 and 2002; \$103.8 million of U.S. net operating loss carryforwards that expire in 2003, 2005 and 2008; and \$10.1 million of minimum tax credit that can be carried forward indefinitely.

As a result of the Merger, effective April 1, 1995, the Company's ability to utilize its existing net operating loss carryforwards will be limited by statute to approximately \$92.0 million each year until exhausted. To the extent certain gains are recognized in the future, the annual limitation may be increased to the extent that the gains are built-in gains within the meaning of the U.S. Internal Revenue Code.

There are accumulated undistributed earnings after applicable local taxes of foreign subsidiaries of \$6.4 million at March 31, 1995 for which no provision was necessary for foreign withholding or other income taxes because that amount had been reinvested in properties and equipment and working capital in the foreign jurisdictions.

Taxes other than income taxes were comprised of the following:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, 1994
	-----	-----
<S>	<C>	<C>
Gross production.....	\$1.2	\$ 6.5
Real and personal property.....	1.8	5.5
Other.....	.1	.9
	----	----
	\$3.1	\$12.9
	=====	=====

&lt;/TABLE&gt;

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&lt;PAGE&gt;

## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

## NOTE SEVEN--POSTEMPLOYMENT BENEFITS

## Pensions

The components of net periodic pension expense are as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, 1994
	-----	-----
<S>	<C>	<C>
Service cost for benefits earned during the period.....	\$ .5	\$ 2.9
Interest cost on projected benefit obligation.....	2.2	8.7
Actual return on plan assets.....	(4.5)	(2.5)
Net amortization and deferrals.....	2.5	(5.4)

-----	-----
\$ .7	\$ 3.7
=====	=====

&lt;/TABLE&gt;

Due to an early retirement program offered to former employees, the Company recognized a settlement loss of \$1.7 million on one of its plans in 1994.

Plan assets are primarily invested in short-term investments and stocks and bonds. The principal assumptions used to estimate the benefit obligations of the plans on the measurement date, October 1, 1994 were as follows:

<TABLE>		
<S>		<C>
Discount rate.....	8.5%	
Expected long-term rate of return on plan assets.....	9.0%	
Rate of increase in compensation levels.....	5.5%	
</TABLE>		

The funded status of the plans at March 31, 1995 was as follows:

<TABLE>  
<CAPTION>

	PLANS WITH	
	ACCUMULATED BENEFITS EXCEEDING ASSETS 3/31/95	ASSETS EXCEEDING ACCUMULATED BENEFITS 3/31/95
<S>	<C>	<C>
Actuarial present value of:		
Vested benefit obligation.....	\$ 86.3	\$ 9.8
Accumulated benefit obligation.....	\$ 90.6	\$11.9
Projected benefit obligation.....	\$ 91.4	\$15.0
Plan assets at fair value.....	76.2	14.5
Plan assets less than projected benefit obligation.....	\$(15.2)	\$ (.5)
Unrecognized net loss.....	24.1	1.0
Unrecognized net transition obligation (asset)....	(3.8)	.1
Unrecognized prior service cost.....	(.3)	(.9)
Adjustment required to recognize minimum liability.....	(18.3)	
Prepaid (accrued) pension cost.....	\$(13.5)	\$ (.3)

&lt;/TABLE&gt;

At March 31, 1995 and December 31, 1994, the Company's accumulated postretirement benefit obligation ("APBO") exceeded the plan assets. In accordance with Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," the Company recorded a minimum pension liability of \$19.2 million and a charge to equity of \$18.3 million at March 31, 1995 and December 31, 1994.

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&lt;PAGE&gt;

## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

In addition to the defined benefit plans, the Company has a defined contribution plan which covers Indonesian nationals. Employee contributions of 2% of each covered employee's compensation are matched by the Company with a contribution of 6% of compensation by the Company. Contributions to the plan were \$.1 million in the first quarter of 1995 and \$.4 million in 1994.

## Other Postretirement Benefits

The Company reports its obligation for postretirement benefits other than pensions in accordance with Statement of Financial Accounting Standards No. 106 ("SFAS 106"), "Employers' Accounting for Postretirement Benefits Other Than Pensions," for its retiree health and welfare benefits plan. Under SFAS

106, the Company is required to accrue the estimated cost of retiree benefit payments, other than pensions, during employees' active service period. The Company currently administers several unfunded postretirement medical and life insurance plans covering primarily U. S. employees which are, depending on the type of plan, either contributory or noncontributory. Employees become eligible for these benefits if they meet minimum age and service requirements.

During 1994, the Company's postretirement medical and life insurance plans experienced a partial curtailment due to the Company's decision to reduce staff. The effect of the curtailment was a \$6.6 million charge to earnings in 1994, which was included as a component of the restructuring costs (See Note Three), primarily due to accelerated recognition of the transition obligation.

The components of net periodic postretirement benefit expense for the three months ended March 31, 1995 and for the year ended December 31, 1994 are as follows:

	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, 1994
<S>	<C>	<C>
Service cost for benefits earned during the period.....	\$ .1	\$ .5
Interest cost on accumulated postretirement benefit obligation.....	.9	3.4
Amortization of transition obligation.....	.5	2.3
	----	----
	\$1.5	\$6.2
	=====	=====

</TABLE>

The APBO as of March 31, 1995 was \$44.4 million. The amount recognized in the Company's statement of financial position at March 31, 1995 is as follows:

	MARCH 31, 1995
<S>	<C>
Retirees.....	\$ 39.0
Fully eligible active employees.....	1.8
Other active employees.....	3.6
	----
Total.....	44.4
Unrecognized transition obligation.....	(33.7)
Unrecognized net gain.....	2.1
	----
	\$ 12.8
	=====

</TABLE>

A discount rate of 8.5% was used in determining the APBO for the three months ended March 31, 1995. The APBO was based on a 10.4% increase in the medical cost trend rate, with the rate trending downward .6% per year to 5% in 2003 and remaining at 5% thereafter. This assumption has a significant effect on annual

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

expense, as it is estimated that a 1% increase in the medical trend rate would increase the APBO by \$4.2 million and increase the net periodic postretirement benefit cost by \$.4 million per year.

#### Other Postemployment Benefits

The Company reports its obligation for postemployment benefits in accordance with Statement of Financial Accounting Standards No. 112 ("SFAS 112"), "Employers' Accounting for Postemployment Benefits," to account for benefits provided after employment but before retirement. SFAS 112 requires an accrual and of recognizing the cost of providing postemployment benefits. This liability primarily represents medical benefits for long-term disability



recipients. Annual costs are expected to be immaterial. Net periodic postemployment benefit expense was insignificant for the three months ended March 31, 1995 and for the year ended December 31, 1994.

#### NOTE EIGHT--FINANCIAL INSTRUMENTS

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. Unless otherwise disclosed, the fair value of financial instruments approximates their recorded values.

##### Restricted Cash

The fair value of the Company's restricted cash, which is invested primarily in U. S. Treasury notes, marketable securities and trust accounts is based on the quoted market prices for the same or similar securities at the reporting date.

##### Long-Term Investments

The fair value of the Company's long-term investments, which are primarily U. S. Treasury notes and long-term notes receivable, is based on the quoted market prices for the same or similar investments at the reporting date.

##### Long-Term Debt

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

The estimated fair value of the Company's financial instruments are as follows:

<TABLE>  
<CAPTION>

	MARCH 31, 1995	
	-----	
	FAIR	
	CARRYING	VALUE OF
	AMOUNT	ASSETS
	-----	
<S>	<C>	<C>
ASSETS		
Restricted cash, including current and long-term portion....	\$128.4	\$125.6
Long-term investments.....	41.5	36.7
LIABILITIES		
Long-term debt, including current portion.....	975.6	862.4
</TABLE>		

For information on the Company's derivative financial instruments, see Note Sixteen.

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<PAGE>

#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

#### NOTE NINE--RECEIVABLES

<TABLE>  
<CAPTION>

	MARCH 31, 1995
	-----
<S>	<C>
Trade receivables.....	\$ 97.0
Notes and other receivables.....	32.0
Less--Allowance for doubtful receivables.....	1.2
	-----
	\$127.8
	=====

</TABLE>

#### NOTE TEN--PROPERTIES AND EQUIPMENT

<TABLE>

&lt;CAPTION&gt;

	MARCH 31, 1995
<S>	<C>
Proved properties.....	\$2,445.5
Unproved properties.....	31.7
Gas plants and other.....	220.0
	-----
Total Oil and Gas.....	2,697.2
	-----
Corporate.....	51.5
	2,748.7
Less--Accumulated depreciation, depletion and amortiza-	
tion.....	1,638.0
	-----
	\$1,110.7
	=====

&lt;/TABLE&gt;

The charge against earnings for depreciation, depletion and amortization of property and equipment was \$29.9 million for the three months ended March 31, 1995, and \$138.9 million for the year ended December 31, 1994. The charge against earnings for maintenance and repairs was \$7.4 million for the three months ended March 31, 1995, and \$38.9 million for the year ended December 31, 1994.

## NOTE ELEVEN--INVESTMENTS AND LONG-TERM RECEIVABLES

&lt;TABLE&gt;

&lt;CAPTION&gt;

	MARCH 31, 1995
<S>	<C>
Investments, at cost, and long-term receivables.....	\$12.0
U. S. Treasury notes.....	29.5
	-----
	\$41.5
	=====

&lt;/TABLE&gt;

In September 1994, the Company sold its geothermal subsidiary, Thermal Power Company, which owned Union-Magma-Thermal Tax Partnership ("UMT") (See Note Four). The investment in UMT was carried on the equity method prior to the sale of Thermal Power Company. The following schedule presents certain summarized financial information of UMT:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	DECEMBER 31, 1994
<S>	<C>
Summarized Statement of Income:	
Sales.....	\$50.0
Gross profit.....	24.8
Net income.....	24.8

&lt;/TABLE&gt;

The Company's equity earnings are principally from UMT and were \$5.2 million in 1994.

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&lt;PAGE&gt;

## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

## NOTE TWELVE--RESTRICTED CASH

At March 31, 1995, the Company had \$128.4 million in restricted cash, of which \$64.0 million represented collateral for outstanding letters of credit. Assets held in trust as required by certain insurance policies were \$64.4 million in 1995. Approximately \$48.5 million of collateral for outstanding letters of credit at March 31, 1995 was classified as a current asset.

## NOTE THIRTEEN--INTANGIBLE ASSETS

Intangibles, primarily the excess of cost over fair market value of net

assets acquired, were \$50.0 million at March 31, 1995. Accumulated amortization at March 31, 1995 was \$14.5 million. The charge against earnings for amortization of intangible assets was \$0.3 million for the three months ended March 31, 1995 and \$1.3 million for the year ended December 31, 1994.

#### NOTE FOURTEEN--ACCRUED LIABILITIES

<TABLE>

<CAPTION>

	MARCH 31, 1995
<S>	<C>
Accrued interest payable.....	\$ 34.8
Joint interest billings for international operations.....	32.3
Merger reserve.....	41.0
Environmental reserve.....	14.9
Overlift payable.....	12.2
Postretirement and postemployment benefits.....	4.5
Accrued compensation, benefits and withholdings.....	5.0
Other.....	25.1
	-----
	\$169.8
	=====

</TABLE>

#### NOTE FIFTEEN--LONG-TERM AND CREDIT ARRANGEMENTS

<TABLE>

<CAPTION>

	MARCH 31, 1995
<S>	<C>
Senior Indebtedness	
Sinking Fund Debentures	
11 1/4% due 2013.....	\$ 16.9
11 1/2% due 2001-2015.....	109.0
8 1/2% due 1998-2008.....	93.4
Notes	
9 7/8% due 2002.....	247.3
9 1/2% due 2003.....	99.5
9 3/8% due 2003.....	260.0
Medium-term notes.....	149.3
Bank and other loans.....	.2
	-----
Total senior indebtedness.....	975.6
Less--current portion.....	4.7
	-----
	\$970.9
	=====

</TABLE>

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<PAGE>

#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The aggregate maturities of long-term debt outstanding at March 31, 1995, for the next five years will be as follows:

<TABLE>

<S>	<C>
April 1, 1995--March 31, 1996.....	\$ 4.7
April 1, 1996--March 31, 1997.....	34.3
April 1, 1997--March 31, 1998.....	14.2
April 1, 1998--March 31, 1999.....	20.5
April 1, 1999--March 31, 2000.....	8.5

</TABLE>

At March 31, 1995, the Company had \$149.3 million of medium-term notes outstanding, which were issued in prior years, with maturities from 1995 to 2004 and annual interest rates ranging from 7.57% to 11.08%.

The Company maintains a \$25.0 million uncommitted credit facility (the "credit facility") which is used for the issuance of documentary or standby letters of credit and/or the payment of shipping documents. The credit facility can be secured by cash or the accounts receivable which are financed

through the letters of credit. At March 1, 1995, there were \$24.5 million of cash collateralized letters of credit outstanding under this credit facility.

Total interest and debt expenses incurred, including capitalized interest, were as follows:

<TABLE>

<CAPTION>

	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, 1994
	-----	-----
<S>	<C>	<C>
Interest and debt expenses.....	\$24.1	\$96.7
Capitalized interest.....	.1	3.2
	-----	-----
	\$24.2	\$99.9
	=====	=====

</TABLE>

#### NOTE SIXTEEN--DERIVATIVE FINANCIAL INSTRUMENTS

The Company's only derivative financial instruments are an interest rate swap agreement with an investment broker, natural gas price swap agreements and crude oil and natural gas futures contracts, which are not used for trading purposes.

##### Interest Rate Swap Agreement

Effective January 27, 1993, the Company entered into an interest rate swap agreement under which it pays the counterparty interest at a variable rate based on the London Interbank Offering Rate (LIBOR) and the counterparty pays the Company interest at 6.73% on the notional principal of \$100.0 million. This agreement is effective through January 27, 2003. The Company is not required to collateralize its obligation under this agreement unless it is in an unfavorable position. Due to higher interest rates in 1994, the Company's position in the interest rate swap became unfavorable. As a result, the Company was required to collateralize \$7.9 million, which was recorded in deferred charges at December 31, 1994. As interest rates declined during the first three months of 1995, the Company reduced its collateralized position by \$3.4 million, leaving a balance of \$4.5 million recorded in deferred charges at March 31, 1995.

##### Natural Gas Price Swap Agreements

Under the price swap agreements used to hedge fluctuations in the price of natural gas, the Company receives or makes payments based on the differential between the Company's specified price and the counterparty's specified price of natural gas. Depending on the agreement, the Company pays a fixed or variable

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<PAGE>

#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

price per million British Thermal Units ("Mmbtu") and receives a fixed or variable price per Mmbtu. During the three months ended March 31, 1995, the Company had swap agreements with other companies to exchange payments on 0.8 million Mmbtu of gas. Under these swap agreements, the Company paid fixed or variable prices averaging \$1.61 per Mmbtu and received fixed or variable prices averaging \$1.58 per Mmbtu. Gross gains and gross losses realized on these swap agreements were immaterial.

##### Natural Gas and Crude Oil Futures Contracts

Under the natural gas futures contracts used to hedge fluctuations in the price of natural gas, the Company receives or makes payments based on the differential between the selling price and the settlement price per Mmbtu. During the three months ended March 31, 1995, the Company settled futures contracts with other companies on 1.2 million Mmbtu of gas. Under these futures contracts, the Company received selling prices averaging \$1.65 per Mmbtu and paid settlement prices averaging \$1.46 per Mmbtu. Realized gross gains on these futures contracts were \$0.2 million.

Under the crude oil futures contracts used to hedge fluctuations in the price of crude oil, the Company receives or makes payments based on the

differential between the selling price and the settlement price per barrel. During the three-month period ended March 31, 1995, crude oil volumes hedged under these futures contracts were insignificant as were gross unrealized gains and losses.

#### NOTE SEVENTEEN--PREFERRED STOCK

The Company has the authority to issue 100,000,000 shares of Preferred Stock, \$1.00 par value. The rights and preferences of shares of authorized but unissued Preferred Stock are established by the Company's Board of Directors at the time of issuance.

##### \$9.75 Cumulative Convertible Preferred Stock

In 1987, the Company sold 3,000,000 shares of \$9.75 Cumulative Convertible Preferred Stock (the "\$9.75 Preferred Stock"). Since such time, the Company has entered into various agreements, most recently on June 8, 1995, with the sole holder of the \$9.75 Preferred Stock pursuant to which, among other things, the Company has repurchased 500,000 shares and the parties have waived or amended various covenants, agreements and restrictions relating to such stock. At March 31, 1995, 1,250,000 shares of \$9.75 Preferred Stock were outstanding, each receiving an annual cash dividend of \$9.75. In addition, 375,000 of such shares (the "Conversion Waiver Shares") each received an additional quarterly cash payment of \$.25 (\$.50 in certain circumstances). For the 12-month period commencing February 1, 1995, each share of the \$9.75 Preferred Stock has a liquidation value of \$101.0836 (\$126.4 million in the aggregate) which reduces to \$100 at February 1, 1996, in each case plus accrued dividends. Since February 1, 1994, the stock has been subject to mandatory redemption at the rate of 625,000 shares per year. The \$9.75 Preferred Stock currently is neither convertible by the holder nor redeemable at the Company's option and has no associated registration rights. The \$9.75 Preferred Stock entitles the holder to vote only on certain matters separately affecting such holder, and the \$9.75 Preferred Stock other than the Conversion Waiver Shares entitles the holder to elect one individual to the Board of Directors of the Company. In addition, pursuant to the June 8, 1995 agreement, the holder of the \$9.75 Preferred Stock waived previously granted rights to approve certain "self-dealing" transactions and certain financial covenants pertaining to the Company, and the Company waived its right of first offer with respect to the transfer of the \$9.75 Preferred Stock and certain transfer restrictions on such stock.

##### \$4.00 Cumulative Convertible Preferred Stock

Each outstanding share of \$4.00 Cumulative Convertible Preferred Stock (the "\$4.00 Preferred Stock") was entitled to one vote, was convertible at any time into shares of the Company's Common Stock (2.29751 shares

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#### MAXUS ENERGY CORPORATION

##### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

at March 31, 1995), was entitled to receive annual cash dividends of \$4.00 per share, was callable at and had a liquidation value of \$50.00 per share (\$217.8 million in the aggregate at March 31, 1995) plus accrued but unpaid dividends, if any. The Company redeemed the \$4.00 Preferred Stock on August 13, 1996.

##### \$2.50 Cumulative Preferred Stock

Each outstanding share of the \$2.50 Preferred is entitled to receive annual cash dividends of \$2.50 per share, is callable after December 1, 1998 at and has a liquidation value of \$25.00 per share (\$87.5 million in the aggregate at March 31, 1995) plus accrued but unpaid dividends, if any.

The holders of the shares are entitled to limited voting rights under certain conditions. In the event the Company is in arrears in the payment of six quarterly dividends, the holders of the \$2.50 Preferred Stock have the right to elect two members to the Board of Directors until such time as the dividends in arrears are current and a provision is made for the current dividends due.

#### NOTE EIGHTEEN--COMMON STOCK

<TABLE>

<CAPTION>

SHARES	AMOUNT
-----	-----

<S>	<C>	<C>
January 1, 1994.....	134,373,523	\$134.4
Employee Shareholding and Investment Plan.....	830,798	.8
Restricted stock.....	490,430	.5
Fractional shares exchanged for cash.....	(29)	
	-----	-----
January 1, 1995.....	135,694,722	135.7
Employee Shareholding and Investment Plan.....	199,274	.2
Conversion of \$4.00 Preferred Stock.....	5,588	
Fractional shares exchanged for cash.....	(1,685)	
	-----	-----
March 31, 1995.....	135,897,899	\$135.9
	=====	=====

&lt;/TABLE&gt;

In 1991, the Company's Dividend Reinvestment and Stock Purchase Plan (the "Plan") became effective. The Plan allowed holders of Common Stock to purchase additional shares at a 3% discount from the current market prices without paying brokerage commissions or other charges. In addition, if the Company were to pay a dividend on its Common Stock in the future, common stockholders could reinvest the amount of those dividends in additional shares also at a 3% discount from the current market prices. In November 1992, the Company effectively suspended the Plan by raising the threshold price.

At March 31, 1995, there were 32.4 million shares of Common Stock reserved for issuance upon conversion of Preferred Stock, exercises of stock options or issuance under certain employee benefit plans.

In 1992, Kidder, Peabody Group Inc. purchased eight million warrants from the Company. Each warrant represents the right to purchase one share of the Company's Common Stock at \$13.00 per share at any time prior to the expiration of the warrants on October 10, 1997.

The Company has an Employee Shareholding and Investment Plan, now known as the Employee Savings Plan ("ESIP"), which allows eligible participating employees to contribute a certain percentage of their salaries (1%-10%) to a trust for investment in any of six funds, one of which consists of the Company's Common Stock. The Company matches the participating employee's contribution to the ESIP (up to 6% of base pay); such matching contribution is charged against earnings and invested in the ESIP fund which consists of the Company's Common Stock. The charge against earnings for the Company's contribution to the ESIP was \$0.6

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&lt;PAGE&gt;

## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

million and \$2.8 million at March 31, 1995 and December 31, 1994, respectively. Subsequent to the Merger, contributions can no longer be invested in the Company's Common Stock.

In 1988, the Company adopted a Preferred Share Purchase Rights Plan. The plan issued one right for each share of Common Stock and 7.92 rights for each share of \$9.75 Preferred Stock outstanding as of the close of business on September 12, 1988. The rights, which entitled the holder to purchase from the Company one one-hundredth of a share of a new series of junior preferred stock at \$23.00 per share, became exercisable if a person had become the beneficial owner of 20% or more of the Company's Common Stock or of an amount that the Board of Directors determined was intended to cause the Company to take certain actions not in the best long-term interests of the Company and its stockholders. The rights also became exercisable if a person made a tender offer or exchange offer for 30% or more of the Company's outstanding Common Stock. The rights could be redeemed at \$.10 per right under certain circumstances. In the Merger Agreement, the Company agreed to redeem the rights. On February 28, 1995, the Board of Directors of the Company took action to redeem the rights, effective as of March 22, 1995. Holders of Common Stock on the close of business on that date received the redemption price of \$0.10 per right. Under a separate agreement with the sole holder of the \$9.75 Preferred Stock, such holder waived its right to receive the redemption price with respect to the rights associated with the \$9.75 Preferred Stock, subject to consummation of the Merger.

## NOTE NINETEEN--PAID-IN CAPITAL AND ACCUMULATED DEFICIT

&lt;TABLE&gt;

&lt;CAPTION&gt;

	PAID-IN CAPITAL	ACCUMULATED DEFICIT
<S>	<C>	<C>
January 1, 1994.....	\$1,026.2	\$ (993.7)
Net loss.....		(22.7)
Dividends on Preferred Stock.....	(43.6)	
Employee Shareholding and Investment Plan.....	3.1	
Restricted stock.....	2.4	
January 1, 1995.....	988.1	(1,016.4)
Net loss.....		(56.9)
Dividends on Preferred Stock.....	(9.6)	
Stock rights redemption.....	(13.6)	
Restricted stock.....	.6	
Employee Shareholding and Investment Plan.....	.7	
March 31, 1995.....	\$ 966.2	\$ (1,073.3)

&lt;/TABLE&gt;

## NOTE TWENTY--UNREALIZED LOSS ON INVESTMENT IN MARKETABLE SECURITIES

The amortized cost and estimated fair value of marketable securities at March 31, 1995 are as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	MARCH 31, 1995		
	AMORTIZED COST	GROSS UNREALIZED LOSS	MARKET VALUE
<S>	<C>	<C>	<C>
Held-to-maturity:			
Corporate and other debt securities.....	\$280.0	\$2.8	\$277.2
Held-for-sale:			
Corporate and other debt securities.....	30.7	1.3	29.4

&lt;/TABLE&gt;

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&lt;PAGE&gt;

## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

At March 31, 1995, securities categorized as held-to-maturity are included in cash equivalents, short-term investments and short- and long-term restricted cash. The securities held-for-sale consist of U. S. Treasury notes which mature in August 2002 and are classified as long-term investments (See Note Eleven).

## NOTE TWENTY-ONE--COMMON TREASURY STOCK

&lt;TABLE&gt;

&lt;CAPTION&gt;

	SHARES	AMOUNT
<S>	<C>	<C>
January 1, 1994.....	(173,963)	\$(2.5)
Restricted Stock.....	(122,032)	(1.0)
January 1, 1995.....	(295,995)	(3.5)
Restricted Stock.....	(14,540)	(.1)
March 31, 1995.....	(310,535)	\$(3.6)

&lt;/TABLE&gt;

## NOTE TWENTY-TWO--STOCK OPTIONS

Two plans, a Long-Term Incentive Plan and a Director Stock Option Plan, were approved by the stockholders in 1992. The Company's 1986 and 1992 Long-Term Incentive Plans (the "Incentive Plans"), administered by the Compensation Committee of the Board of Directors, permitted the grant to officers and certain key employees of stock options, stock appreciation rights ("SARs"),

performance units and awards of Common Stock or other securities of the Company on terms and conditions determined by the Compensation Committee of the Board of Directors.

The Director Stock Option Plan became effective on September 1, 1992. Under this plan, non-employee directors received options to purchase shares of Common Stock on the effective date of the plan. Thereafter, upon initial election or re-election of a non-employee director at an annual meeting, the non-employee directors automatically received options to purchase shares of Common Stock. The plan terminated on June 7, 1995.

The grant or exercise of an option did not result in a charge against the Company's earnings because all options have been granted at exercise prices approximating the market value of the stock at the date of grant. However, any excess of Common Stock market price over the option price of options, which includes SARs, would result in a charge against the Company's earnings; a subsequent decline in market price would result in a credit to earnings, but only to a maximum of the earnings charges incurred in prior years on SARs.

Stock option activity was as follows:

<TABLE>

<CAPTION>

	MARCH 31, 1995	DECEMBER 31, 1994
<S>	<C>	<C>
Outstanding at January 1.....	2,268,068	1,694,445
Granted.....		758,000
Cancelled.....	(77,495)	(184,377)
Outstanding at end of period.....	2,190,573	2,268,068
Grant price.....		\$5.00-\$8.625
Available for future grants at end of period....	2,496,936	2,419,441
Restricted stock held for vesting at end of period.....	936,066	951,410
Performance units held for vesting at end of period.....	653,355	653,355

</TABLE>

Exercise prices of stock options outstanding at March 31, 1995 ranged from \$5.00 to \$13.75 per share. No stock options were exercised during 1994 or the first three months of 1995. There was no earnings activity related to SARs in 1994 or for the period ended March 31, 1995. Effective upon the Merger, all stock options and restricted stock outstanding under Company-sponsored incentive plans were surrendered to the Company.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Under the 1986 Long-Term Incentive Plan, the Company granted Restricted Stock. The amount of the grant price was amortized over the vesting period of the grant as a charge against earnings. The charge against earnings was \$0.5 million for the period ended March 31, 1995 and \$1.4 million in 1994.

Effective upon the Merger, all stock options and restricted stock outstanding under Company-sponsored incentive plans were surrendered to the Company. In March 1995, the Company recorded a \$9.9 million charge to earnings to record the estimated cost to redeem all outstanding options and restricted stock. This charge was included in pre-Merger costs in the Company's consolidated statement of operations (See Note Two).

#### NOTE TWENTY-THREE--LEASES

The Company leases certain machinery and equipment, facilities and office space under cancelable and noncancelable operating leases, most of which expire within 20 years and may be renewed.

Minimum annual rentals for non-cancelable operating leases at March 31, 1995, were as follows:

<TABLE>

<S>	<C>
March 31, 1996.....	\$ 34.4



March 31, 1997.....	19.4
March 31, 1998.....	15.7
March 31, 1999.....	9.0
March 31, 2000.....	8.2
March 31, 2001 and thereafter.....	34.0
	-----
	\$120.7
	=====

&lt;/TABLE&gt;

Minimum annual rentals have not been reduced by minimum sublease rentals of \$38.7 million due in the future under noncancelable subleases.

Rental expense for operating leases was as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, 1994
	-----	-----
<S>	<C>	<C>
Total rentals.....	\$14.0	\$60.1
Less--Sublease rental income.....	.9	2.9
	-----	-----
Rental expense.....	\$13.1	\$57.2
	=====	=====

&lt;/TABLE&gt;

## NOTE TWENTY-FOUR--COMMITMENTS AND CONTINGENCIES

Like other energy companies, Maxus' operations are subject to various laws related to the handling and disposal of hazardous substances which require the cleanup of deposits and spills. Compliance with the laws and protection of the environment worldwide is of the highest priority to Maxus management. In the first quarter of 1995, the Company spent \$1.4 million in environmental related expenditures for its oil and gas operations.

In addition, the Company is implementing certain environmental projects related to its former chemicals business ("Chemicals") sold to an affiliate of Occidental Petroleum Corporation (collectively, "Occidental") in 1986 and certain other disposed of businesses. The environmental projects discussed below relating to Chemicals' business are being conducted on behalf of Occidental pursuant to the sale agreement.

The Company has agreed to remediate the site of the former agricultural chemical plant in Newark, New Jersey as required by a consent decree entered into in 1990 by Occidental, the United States Environmental

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Protection Agency (the "EPA") and the New Jersey Department of Environmental Protection and Energy (the "DEP"). Pursuant to an agreement with the EPA, the Company is conducting further testing and studies to characterize contaminated sediment in a portion of the Passaic River near the plant site. The Company has been conducting similar studies under its own auspices for several years.

Under an Administrative Consent Order issued by the DEP in 1990, covering sites primarily in Kearny and Secaucus, New Jersey, the Company will continue to implement interim remedial measures and to perform remedial investigations and feasibility studies and, if necessary, will implement additional remedial actions at various locations where chromite ore residue, allegedly from the former Kearny plant, was utilized, as well as at the plant site.

Until 1976, Chemicals operated manufacturing facilities in Painesville, Ohio. The Company has heretofore conducted many remedial, maintenance and monitoring activities at this site. The former Painesville plant area has been proposed for listing on the national priority list of Superfund sites. The scope and nature of further investigation or remediation which may be required cannot be determined at this time.

The Company also has responsibility for Chemicals' share of the remediation cost for a number of other non-plant sites where wastes from plant operations by Chemicals were allegedly disposed of or have come to be located, including

several commercial waste disposal site

At the time of the spin-off by the Company of Diamond Shamrock, Inc. ("DSI") in 1987, the Company executed a cost-sharing agreement for the partial reimbursement by DSI of environmental expenses related to the Company's disposed of businesses, including Chemicals. DSI was expected to reach its total reimbursement obligation in 1996.

The Company's total expenditures for environmental compliance for disposed of businesses, including Chemicals, were \$7.9 million in the first quarter of 1995, \$2.6 million of which was recovered from DSI under the cost-sharing agreement.

Reserves have been established for environmental liabilities where they are material and probable and can be reasonably estimated. At March 31, 1995 and December 31, 1994, reserves for the above environmental contingencies totaled \$84.7 million and \$87.1 million, respectively. During 1994, the Company increased its reserve for future environmental liabilities by \$60.5 million, primarily in response to the EPA's proposal of chromium clean-up standards and for additional costs expected to be incurred at Chemicals' former Newark, New Jersey plant site.

The Company enters into various operating agreements and capital commitments associated with the exploration and development of its oil and gas properties. Such contractual financial and/or performance commitments are not material.

The Company's foreign petroleum exploration, development and production activities are subject to political and economic uncertainties, expropriation of property and cancellation or modification of contract rights, foreign exchange restrictions and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted, as well as risks of loss in some countries due to civil strife, guerrilla activities and insurrection. Areas in which the Company had significant operations include the United States, Indonesia, Ecuador, Bolivia and Venezuela.

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#### REPORT OF MANAGEMENT

To the Stockholders of  
Maxus Energy Corporation

The Consolidated Financial Statements have been prepared in conformity with generally accepted accounting principles and have been audited by Arthur Andersen LLP, independent accountants, for the three months ended March 31, 1995, the nine months ended December 31, 1995 and the year ended December 31, 1996 and have been audited by Price Waterhouse LLP, independent accountants, for the year ended December 31, 1994.

In meeting its responsibility for the reliability of the Consolidated Financial Statements, the Company depends on its accounting and control systems. These systems are designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use and that transactions are executed in accordance with the Company's authorizations and are recorded properly. The Company believes that its accounting and control systems provide reasonable assurance that errors or irregularities that could be material to the Consolidated Financial Statements are prevented or would be detected within a timely period. The Company also requires that all officers and other employees adhere to a written business conduct policy.

The independent accountants provide an objective review as to the Company's reported operating results and financial position. The Company also has an active operations auditing program which monitors the functioning of the Company's accounting and control systems and provides additional assurance that the Company's operations are conducted in a manner which is consistent with applicable laws.

The Board of Directors pursues its oversight role for the Consolidated Financial Statements through the Audit Review Committee which is composed solely of directors who are not employees of the Company. The Audit Review Committee meets with the Company's financial management and operations auditors periodically to review the work of each and to monitor the discharge of their responsibilities. The Audit Review Committee also meets periodically with the Company's independent accountants without representatives of the Company present to discuss accounting, control, auditing and financial reporting matters.

/s/ W. Mark Miller  
W. Mark Miller  
Vice President and Chief Financial Officer

/s/ Linda R. Engelbrecht  
Linda R. Engelbrecht  
Controller

Dallas, Texas  
January 29, 1997

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# REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of  
Maxus Energy Corporation

We have audited the accompanying consolidated balance sheets of Maxus Energy Corporation (a Delaware corporation) and subsidiaries as of December 31, 1996 and 1995 and March 31, 1995, and the related consolidated statements of operations and cash flows for the year ended December 31, 1996, the nine months ended December 31, 1995 and the three months ended March 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Maxus Energy Corporation and its subsidiaries as of December 31, 1996 and 1995 and March 31, 1995, and the results of its operations and its cash flows for the year ended December 31, 1996, the nine months ended December 31, 1995, and the three months ended March 31, 1995, in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP  
Arthur Andersen LLP

Dallas, Texas  
January 29, 1997

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<PAGE>

# REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of  
Maxus Energy Corporation

In our opinion, the accompanying consolidated statements of operations and of cash flows present fairly, in all material respects, the results of operations and cash flows of Maxus Energy Corporation and its subsidiaries for the year ended December 31, 1994 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above. We have not audited the consolidated financial statements of Maxus Energy Corporation for any period subsequent to December 31, 1994.

/s/ Price Waterhouse LLP

Price Waterhouse LLP

Dallas, Texas

February 28, 1995

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FINANCIAL SUPPLEMENTARY INFORMATION  
(UNAUDITED)

(DATA IS AS OF DECEMBER 31 FOR THE YEAR ENDED 1994 AND AS OF MARCH 31 FOR THE  
FIRST QUARTER THEN

ENDED 1995. THE DOLLAR AMOUNTS IN TABLES ARE IN MILLIONS, EXCEPT PER SHARE)

Oil and Gas Producing Activities

The following are disclosures about the oil and gas producing activities of the Company as required by Statement of Financial Accounting Standards No. 69 ("SFAS 69").

RESULTS OF OPERATIONS

Results of operations from all oil and gas producing activities are shown below. These results exclude revenues and expenses related to the purchase of natural gas and the subsequent processing and resale of such natural gas plus the sale of natural gas liquids extracted therefrom.

<TABLE>  
<CAPTION>

	UNITED STATES		INDONESIA	
	MARCH 31, 1995	DECEMBER 31, 1994	MARCH 31, 1995	DECEMBER 31, 1994
<S>	<C>	<C>	<C>	<C>
Sales.....	\$22.7	\$ 132.3	\$93.1	\$381.2
Production costs.....	7.4	35.0	39.7	151.5
Exploration costs.....	3.7	12.2	2.7	13.8
Depreciation, depletion and amortization.....	7.0	45.3	16.9	75.6
(Gain) loss on sale of assets...	(.1)	(201.8)		
Other.....	2.9(a)	10.8(a)	(3.0)	1.8
	20.9	(98.5)	56.3	242.7
Income (loss) before tax provision.....	1.8	230.8	36.8	138.5
Provision (benefit) for income taxes.....		4.6	18.7	74.4
Results of operations.....	\$ 1.8	\$ 226.2	\$18.1	\$ 64.1

&lt;/TABLE&gt;

<TABLE>  
<CAPTION>

	SOUTH AMERICA		OTHER FOREIGN		WORLDWIDE	
	MARCH 31, 1995	DECEMBER 31, 1994	MARCH 31, 1995	DECEMBER 31, 1994	MARCH 31, 1995	DECEMBER 31, 1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales.....	\$ 7.8	\$24.0			\$123.6	\$ 537.5
Production costs.....	6.8	17.8			53.9	204.3
Exploration costs.....	.4	2.4	\$ 2.2	\$ 7.2	9.0	35.6
Depreciation, depletion and amortization.....	3.9	7.5	.4	2.7	28.2	131.1
(Gain) loss on sale of assets.....		.2	(1.1)		(1.2)	(201.6)
Other.....	.4	(1.4)		(.3)	.3	10.9
	11.5	26.5	1.5	9.6	90.2	180.3
Income (loss) before tax provision.....	(3.7)	(2.5)	(1.5)	(9.6)	33.4	357.2
Provision (benefit) for income taxes.....	.5	5.2		(.2)	19.2	84.0

Results of operations...	\$(4.2)	\$(7.7)	\$(1.5)	\$(9.4)	\$ 14.2	\$ 273.2
--------------------------	---------	---------	---------	---------	---------	----------

&lt;/TABLE&gt;

(a) Includes United States gathering and processing costs related to sales. Such costs were \$3.1 million and \$11.8 million for March 31, 1995, December 31, 1994, respectively.

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## CAPITALIZED COSTS

Included in properties and equipment are capitalized amounts applicable to the Company's oil and gas producing activities. Such capitalized amounts include the cost of mineral interests in properties, completed and incomplete wells and related support equipment as follows:

<TABLE>  
<CAPTION>

	UNITED STATES		INDONESIA	
	MARCH 31, 1995	DECEMBER 31, 1994	MARCH 31, 1995	DECEMBER 31, 1994
<S>	<C>	<C>	<C>	<C>
Proved properties.....	\$605.4	\$584.0	\$1,588.1	\$1,572.9
Unproved properties.....	10.7	7.8	.7	.7
	616.1	591.8	1,588.8	1,573.6
Less--Accumulated depreciation, depletion and amortization.....	422.6	416.8	1,060.6	1,043.7
	\$193.5	\$175.0	\$ 528.2	\$ 529.9

&lt;/TABLE&gt;

<TABLE>  
<CAPTION>

	SOUTH AMERICA		OTHER FOREIGN		WORLDWIDE	
	MARCH 31, 1995	DECEMBER 31, 1994	MARCH 31, 1995	DECEMBER 31, 1994	MARCH 31, 1995	DECEMBER 31, 1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Proved properties.....	\$252.1	\$240.8			\$2,445.6	\$2,397.7
Unproved properties.....	15.2	15.2	\$5.0	\$5.4	31.6	29.1
	267.3	256.0	5.0	5.4	2,477.2	2,426.8
Less--Accumulated depreciation, depletion and amortization.....	12.3	8.5	4.2	4.0	1,499.7	1,473.0
	\$255.0	\$247.5	\$ .8	\$1.4	\$ 977.5	\$ 953.8

&lt;/TABLE&gt;

## COSTS INCURRED

Costs incurred by the Company in its oil and gas producing activities (whether capitalized or charged against earnings) were as follows:

<TABLE>  
<CAPTION>

	UNITED STATES		INDONESIA	
	MARCH 31, 1995	DECEMBER 31, 1994	MARCH 31, 1995	DECEMBER 31, 1994
<S>	<C>	<C>	<C>	<C>
Property acquisition costs.....	\$13.6	\$ 2.4		
Exploration costs.....	7.0	12.8	\$ 7.0	\$13.8
Development costs.....	8.2	20.9	10.9	58.7
	\$28.8	\$36.1	\$17.9	\$72.5

&lt;/TABLE&gt;

&lt;TABLE&gt;

&lt;CAPTION&gt;

	SOUTH AMERICA		OTHER FOREIGN		WORLDWIDE	
	MARCH 31, 1995	DECEMBER 31, 1994	MARCH 31, 1995	DECEMBER 31, 1994	MARCH 31, 1995	DECEMBER 31, 1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Property acquisition costs.....					\$13.6	\$ 2.4
Exploration costs.....	\$ .4	\$ 3.4	\$2.2	\$7.4	16.6	37.4
Development costs.....	11.3	77.7			30.4	157.3
	-----	-----	-----	-----	-----	-----
	\$11.7	\$81.1	\$2.2	\$7.4	\$60.6	\$197.1
	=====	=====	=====	=====	=====	=====

&lt;/TABLE&gt;

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## OIL AND GAS RESERVES

The following table represents the Company's net interest in estimated quantities of developed and undeveloped reserves of crude oil, condensate, natural gas liquids and natural gas and changes in such quantities at quarter-end March 31, 1995 and at year-end 1994. Net proved reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are proved reserve volumes that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are proved reserve volumes that are expected to be recovered from new wells on undrilled acreage or from existing wells where a significant expenditure is required for recompletion.

Estimates of reserves were prepared by the Company using standard geological and engineering methods generally accepted by the petroleum industry and in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). The choice of method or combination of methods employed in the analysis of each reservoir was determined by experience in the area, stage of development, quality and completeness of basic data, and production history. There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures, including many factors beyond the control of the producer. Reserve engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates of different engineers often vary. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revision of such estimate. Accordingly, reserve estimates are often different from the quantities of crude oil and natural gas that are ultimately recovered. The meaningfulness of such estimates is highly dependent upon the accuracy of the assumption upon which they were based. The reserve estimates were subjected to economic tests to determine economic limits. The estimates may change as a result of numerous factors including, but not limited to, additional development activity, evolving production history, and continued reassessment of the viability of production under varying economic conditions.

&lt;TABLE&gt;

&lt;CAPTION&gt;

	MARCH 31, 1995 (D)				DECEMBER 31, 1994			
	UNITED STATES	INDONESIA	SOUTH AMERICA	TOTAL	UNITED STATES	INDONESIA	SOUTH AMERICA	TOTAL
CRUDE OIL	-----	-----	-----	-----	-----	-----	-----	-----
	(MILLIONS OF BARRELS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Proved Developed and Undeveloped Reserves								
Beginning of period.....	3.5	158.8	67.1	229.4	12.3	180.1	71.6	264.0
Revisions of previous estimates.....					.2	(3.2) (a)	5.1	2.1
Purchase of reserves in place.....	.3			.3				

Extensions, discoveries and other additions.....					.1	3.5 (a)		3.6
Production.....	(.1)	(4.7)	(.8)	(5.6)	(.9)	(21.6)	(1.8) (c)	(24.3)
Sales of reserves in place.....					(8.2)		(7.8)	(16.0)
End of period.....	3.7	154.1	66.3	224.1	3.5	158.8	67.1	229.4
Net Proved Developed Reserves								
Beginning of period.....	2.9	141.5	14.8	159.2	11.0	161.1	14.1	186.2
End of period.....	2.8	136.8	14.0	153.6	2.9	141.5	14.8	159.2
	==	=====	=====	=====	=====	=====	=====	=====

&lt;/TABLE&gt;

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&lt;TABLE&gt;

&lt;CAPTION&gt;

	MARCH 31, 1995 (D)			DECEMBER 31, 1994		
NATURAL GAS (B)	UNITED STATES	INDONESIA	TOTAL	UNITED STATES	INDONESIA	TOTAL
	(BILLIONS OF CUBIC FEET)					
	<C>	<C>	<C>	<C>	<C>	<C>
Net Proved Developed and Undeveloped Reserves						
Beginning of period.....	492	304	796	679	262	941
Revisions of previous estimates.....				21	1	22
Purchase of reserves in place..	24		24			
Extensions, discoveries and other additions.....				13	58	71
Production.....	(11)	(4)	(15)	(57)	(17)	(74)
Sales of reserves in place.....				(164)		(164)
End of period.....	505	300	805	492	304	796
Net Proved Developed Reserves						
Beginning of period.....	384	107	491	507	85	592
End of period.....	373	103	476	384	107	491
	=====	=====	=====	=====	=====	=====

&lt;CAPTION&gt;

	MARCH 31, 1995 (D)			DECEMBER 31, 1994		
NATURAL GAS LIQUIDS	UNITED STATES	INDONESIA	TOTAL	UNITED STATES	INDONESIA	TOTAL
	(MILLIONS OF BARRELS)					
	<C>	<C>	<C>	<C>	<C>	<C>
Net Proved Developed and Undeveloped Reserves						
Beginning of period.....	36.5	9.4	45.9	37.1	10.2	47.3
Revisions of previous estimates.....				2.0	(.7)	1.3
Purchase of reserves in place..	.4		.4			
Extensions, discoveries and other additions.....				.4	.7	1.1
Production.....	(.8)	(.1)	(.9)	(3.0)	(.8)	(3.8)
End of period.....	36.1	9.3	45.4	36.5	9.4	45.9
Net Proved Developed Reserves						
Beginning of period.....	29.7	3.2	32.9	29.5	3.3	32.8
End of period.....	28.9	3.1	32.0	29.7	3.2	32.9
	=====	=====	=====	=====	=====	=====

&lt;/TABLE&gt;

(a) The changes reflect the impact of the change in the price of crude oil on the barrels to which the Company is entitled under the terms of the Indonesian production sharing contracts. The Indonesian production sharing contracts allow the Company to recover tangible production and exploration costs, as well as operating costs. As the price of crude oil fluctuates, the Company is entitled to more or less barrels of cost recovery oil. Increasing prices at the end of 1994 resulted in a decrease of 11.7 million barrels.

- (b) Natural gas is reported on the basis of actual or calculated volumes which remain after removal, by lease or field separation facilities, of liquefiable hydrocarbons and of non-hydrocarbons where they occur in sufficient quantities to render the gas unmarketable. Natural gas reserve volumes include liquefiable hydrocarbons approximating 11% of total gas reserves in the United States and 5% in Indonesia which are recoverable at natural gas processing plants downstream from the lease or field separation facilities. Such recoverable liquids also have been included in natural gas liquids reserve volumes.
- (c) Reserves in Venezuela attributable to an operating service agreement under which all hydrocarbons are owned by the Venezuelan government have not been included. Production reported in Oil and Gas reserves does not include Venezuela production but it is included in net oil sales reported in Exploration and Production Statistics. The SFAS 69 Results of Operations, Capitalized Costs and Costs Incurred disclosures include costs related to Venezuela.
- (d) Reserves are estimated at year end only. Reserves at March 31, 1995 are December 31, 1994 reserves adjusted only for the production for the first quarter of 1995 and purchase of properties in the United States.

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&lt;PAGE&gt;

## FUTURE NET CASH FLOWS

The standardized measure of discounted future net cash flows relating to the Company's proved oil and gas reserves is calculated and presented in accordance with Statement of Financial Accounting Standards No. 69. Accordingly, future cash inflows were determined by applying year-end oil and gas prices (adjusted for future fixed and determinable price changes) to the Company's estimated share of future production from proved oil and gas reserves. Future income taxes were derived by applying year-end statutory tax rates to the estimated net future cash flows. A prescribed 10% discount factor was applied to the future net cash flows.

In the Company's opinion, this standardized measure is not a representative measure of fair market value, and the standardized measure presented for the Company's proved oil and gas reserves is not representative of the reserve value. The standardized measure is intended only to assist financial statement users in making comparisons between companies.

Future net cash flows and changes in the standardized measure are only prepared at year-end; therefore, no data is presented as of March 31, 1995. Information as of December 31, 1995 is included in the post-Merger section.

<TABLE>  
<CAPTION>

DECEMBER 31, 1994				
	UNITED STATES	INDONESIA	SOUTH AMERICA	WORLDWIDE
<S>	<C>	<C>	<C>	<C>
Future cash flows.....	\$ 967.3	\$ 3,389.0	\$ 831.9	\$ 5,188.2
Future production and development costs.....	(324.7)	(2,246.8)	(371.8)	(2,943.3)
Future income tax expenses...	(92.8)	(503.1)	(53.6)	(649.5)
Future net cash flows.....	549.8	639.1	406.5	1,595.4
Annual discount at 10% rate..	(241.1)	(261.7)	(162.8)	(665.6)
Standardized measure of discounted future net cash flows.....	\$ 308.7	\$ 377.4	\$ 243.7	\$ 929.8

&lt;/TABLE&gt;

The following are the principal sources for change in the standardized measure:

<TABLE>  
<CAPTION>

DECEMBER 31, 1994	
<S>	<C>
Beginning of year.....	\$1,061.3
Sales and transfers of oil and gas produced, net of production costs.....	(333.2)
Net changes in prices and production costs.....	103.4



Extensions, discoveries and imple ed recovery, less related costs.....	68.0
Development costs incurred during the year that reduced future development costs.....	123.2
Revisions of previous quantity estimates.....	56.6
Purchase of reserves in place.....	.4
Sale of reserves in place.....	(275.7)
Net change in income taxes.....	(22.6)
Accretion of discount.....	132.4
Other.....	16.0
	-----
End of year.....	\$ 929.8
	=====

&lt;/TABLE&gt;

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&lt;PAGE&gt;

## MAXUS ENERGY CORPORATION

## CONSOLIDATED STATEMENT OF OPERATIONS

&lt;TABLE&gt;

&lt;CAPTION&gt;

	TWELVE MONTHS ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995
	-----	-----
	(IN MILLIONS)	
<S>	<C>	<C>
Revenues		
Sales and operating revenues.....	\$718.0	\$463.8
Other revenues, net.....	20.1	7.1
	-----	-----
	738.1	470.9
Costs and Expenses		
Operating expenses.....	201.5	173.5
Gas purchase costs.....	74.4	41.4
Exploration, including exploratory dry holes.....	35.1	51.2
Depreciation, depletion and amortization.....	168.9	142.1
General and administrative expenses.....	11.4	12.7
Taxes other than income taxes.....	14.0	9.7
Interest and debt expenses.....	134.6	104.9
	-----	-----
	639.9	535.5
Income (Loss) Before Income Taxes and Extraordinary Item.....	98.2	(64.6)
Income Taxes.....	77.6	9.1
	-----	-----
Net Income (Loss) Before Extraordinary Item.....	20.6	(73.7)
Extraordinary Item.....	(5.6)	
	-----	-----
Net Income (Loss).....	\$ 15.0	\$ (73.7)
	=====	=====

&lt;/TABLE&gt;

See Notes to Consolidated Financial Statements.

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&lt;PAGE&gt;

## MAXUS ENERGY CORPORATION

## CONSOLIDATED BALANCE SHEET

&lt;TABLE&gt;

&lt;CAPTION&gt;

	DECEMBER 31, 1996	DECEMBER 31, 1995
	-----	-----
	(IN MILLIONS, EXCEPT SHARES)	
<S>	<C>	<C>
Current Assets		
Cash and cash equivalents.....	\$ 28.9	\$ 38.3

Receivables, less allowance for doubtful accounts..	199.0	141.8
Funding guarantee from parent.....	27.4	
Inventories.....	26.3	40.8
Restricted cash.....	7.3	19.0
Deferred income taxes.....	15.3	6.9
Prepaid expenses.....	10.5	19.6
	-----	-----
Total Current Assets.....	314.7	266.4
Properties and Equipment, less accumulated depreciation, depletion and amortization.....	2,022.2	2,363.6
Investments and Long-Term Receivables.....	.4	7.1
Restricted Cash.....	26.5	61.4
Funding Guarantee from Parent.....	75.2	
Deferred Charges.....	17.5	18.3
	-----	-----
	\$2,456.5	\$2,716.8
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt.....	\$ 54.1	\$ 34.3
Accounts payable.....	98.1	59.0
Taxes payable.....	44.6	39.7
Accrued liabilities.....	158.0	173.4
	-----	-----
Total Current Liabilities.....	354.8	306.4
Long-Term Debt.....	1,034.4	1,254.6
Advances from Parent.....	182.2	6.6
Deferred Income Taxes.....	502.7	551.2
Other Liabilities and Deferred Credits.....	171.0	233.0
\$9.75 Redeemable Preferred Stock, \$1.00 par value		
Authorized and issued shares 625,000 and 1,250,000..	62.5	125.0
Stockholders' Equity		
\$2.50 Preferred Stock, \$1.00 par value		
Authorized shares--5,000,000		
Issued shares--3,500,000.....	57.8	66.5
\$4.00 Preferred Stock, \$1.00 par value		
Authorized shares--0 and 5,915,017		
Issued shares--0 and 4,356,958.....		11.7
Common Stock, \$1.00 par value		
Authorized shares--300,000,000		
Issued shares--147,246,364 and 135,609,772.....	147.2	135.6
Paid-in capital.....	216.4	105.8
Accumulated deficit.....	(272.3)	(73.7)
Minimum pension liability.....	(.2)	(5.9)
	-----	-----
Total Stockholders' Equity.....	148.9	240.0
	-----	-----
	\$2,456.5	\$2,716.8
	=====	=====

&lt;/TABLE&gt;

See "Commitments and Contingencies."

See Notes to Consolidated Financial Statements.

The Company uses the successful efforts method to account for its oil and gas producing activities.

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&lt;PAGE&gt;

## MAXUS ENERGY CORPORATION

## CONSOLIDATED STATEMENT OF CASH FLOWS

&lt;TABLE&gt;

&lt;CAPTION&gt;

	TWELVE MONTHS ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995
	-----	-----
	(IN MILLIONS)	
	<C>	<C>
Cash Flows From Operating Activities:		
Net income/(loss).....	\$ 15.0	\$ ( 73.7)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Extraordinary item.....	5.6	
Depreciation, depletion and amortization.....	168.9	142.1
Dry hole costs.....	5.5	18.8
Income taxes.....	(26.2)	(49.2)

Net (gain)/loss on sale of assets		
investments.....	2.3	(5.9)
Postretirement benefits.....	3.8	3.1
Accretion of discount on long-term debt.....	9.0	7.3
Release of excess insurance reserves.....	(13.6)	
Other.....	8.2	1.4
Changes in components of working capital:		
Receivables.....	(72.9)	(5.4)
Inventories, prepaids and other current assets.....	19.4	(12.8)
Accounts payable.....	42.7	9.2
Accrued liabilities.....	(25.7)	(31.5)
Taxes payable/receivable.....	9.8	53.4
Net Cash Provided by Operating Activities...	151.8	56.8
Cash Flows From Investing Activities:		
Expenditures for properties and equipment--		
including dry hole costs.....	(203.3)	(137.4)
Proceeds on asset sales to parent.....	292.7	
Proceeds from sales of assets.....	13.7	27.4
Proceeds from sale/maturity of short- and long-term investments.....		96.3
Restricted cash.....	46.6	45.3
Other.....	(29.5)	(34.3)
Net Cash Provided by/(Used in) Investing Activities.....	120.2	(2.7)
Cash Flows From Financing Activities:		
Interest rate swap.....		6.9
Proceeds from issuance of short-term debt.....		17.2
Repayment of short-term debt.....	(60.7)	(21.8)
Net proceeds from issuance of long-term debt.....		839.8
Repayment of long-term debt.....	(148.7)	(425.1)
Cash advance from parent.....	175.6	
Acquisition of common stock, including payment of merger costs.....	(3.7)	(746.6)
Issuance of common stock to parent.....	64.0	
Capital contribution from parent.....		250.5
Redemption of preferred stock.....	(280.5)	
Dividends paid on preferred stock.....	(27.4)	(28.8)
Net Cash Used in Financing Activities.....	(281.4)	(107.9)
Net Decrease in Cash and Cash Equivalents.....	(9.4)	(53.8)
Cash and Cash Equivalents at Beginning of Period....	38.3	92.1
Cash and Cash Equivalents at End of Period.....	\$ 28.9	\$ 38.3

&lt;/TABLE&gt;

See Notes to Consolidated Financial Statements.

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE ONE--SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements have been prepared in conformity with generally accepted accounting principles, the most significant of which are described below. Effective April 1, 1995, the Company used the purchase method of accounting to record the acquisition of the Company by YPF Sociedad Anonima ("YPF") as discussed in Note Two. Financial statements presented for periods after April 1, 1995 reflect the effects of the Merger-related transactions. Post-Merger financial information is not comparable to prior periods due to the application of purchase accounting effective April 1, 1995. The following post-Merger data is for the twelve months ended December 31, 1996, and the nine months ended December 31, 1995 and dollar amounts in tables are in millions.

In June 1996, YPF and Maxus announced an internal reorganization of Maxus which included the transfer of the Common Stock of Maxus to a YPF indirect wholly owned subsidiary, YPF Holdings, Inc. ("Holdings"), and the sale of common stock of certain subsidiaries of Maxus to a wholly owned subsidiary of

YPF (See Note Three).

#### Consolidation Accounting

The Consolidated Financial Statements include the accounts of the Company and all domestic and foreign subsidiaries. All significant intercompany accounts and transactions have been eliminated.

#### Management's Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

#### Statement of Cash Flows

Investments with original maturities of three months or less at the time of original purchase are considered cash equivalents for purposes of the accompanying Consolidated Statement of Cash Flows. Short-term investments include investments with maturities over three months but less than one year.

Net cash provided by operating activities reflects cash receipts for interest income and cash payments for interest expense and income taxes as follows:

<TABLE>  
<CAPTION>

	TWELVE MONTHS ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995
<S>	<C>	<C>
Interest receipts.....	\$ 9.3	\$ 11.8
Interest payments.....	127.4	107.9
Income tax payments.....	93.0	64.7

</TABLE>

#### Inventory Valuation

Inventories are valued at the lower of historical cost or market value and are primarily comprised of well equipment and supplies. Historical cost is determined primarily by using the weighted average cost method.

#### Properties and Equipment

Properties and equipment are carried at cost. Major additions are capitalized; expenditures for repairs and maintenance are charged against earnings.

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MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(CONTINUED)

The Company follows the provisions of Statement of Financial Accounting Standards No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," which requires a review of long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of the asset may not be recoverable. Under SFAS 121, if the expected future cash flow of a long-lived asset is less than the carrying amount of the asset, an impairment loss shall be recognized to value the asset at its fair value.

The Company uses the successful efforts method to account for costs incurred in the acquisition, exploration, development and production of oil and gas reserves. Under this method, all geological and geophysical costs are expensed; all development costs, whether or not successful, are capitalized as costs of proved properties; exploratory drilling costs are initially capitalized, but if the effort is determined to be unsuccessful, the costs are then charged against earnings; depletion is computed based on an aggregation of properties with common geologic structural features or stratigraphic conditions, such as reservoirs or fields.

For investment in unproved properties in the United States, a valuation

allowance (included as an element of depletion) is provided by a charge against earnings to reflect the impairment of unproven acreage. Investment in international non-producing leasehold costs are reviewed periodically by management to insure the carrying value is recoverable based upon the geological and engineering estimates prepared by independent petroleum engineers of total possible and probable reserves expected to be added over the remaining life of each concession. Based upon increases to proved reserves determined by reserve reports, a portion of the investment in international non-producing leasehold costs will be periodically transferred to investment in proved properties.

Depreciation and depletion related to the costs of all development drilling, successful exploratory drilling and related production equipment is calculated using the unit of production ("UOP") method based upon estimated proved developed reserves. Leasehold costs are amortized using the UOP method based on estimated proved reserves. Other properties and equipment, which includes gas gathering and processing equipment and plants, are depreciated generally on the straight-line method over their estimated useful lives. Estimated future dismantlement, restoration and abandonment costs for major facilities, net of salvage value, are taken into account in determining depreciation, depletion and amortization.

The Company capitalizes the interest cost associated with major property additions and mineral development projects while in progress. Such amounts are amortized applying the same depreciation method over the same useful lives as that used for the related assets.

When complete units of depreciable property are retired or sold, the asset cost and related accumulated depreciation are eliminated with any gain or loss reflected in other revenues, net. When less than complete units of depreciable property are disposed of or retired, the difference between asset cost and salvage or sales value is charged or credited to accumulated depreciation and depletion.

#### Deferred Charges

Deferred charges are primarily comprised of debt issuance costs and are amortized over the terms of the related debt agreements.

#### Revenue Recognition

Oil and gas sales are recorded on the entitlements method. Differences between the Company's actual production and entitlements result in a receivable when underproduction occurs and a payable when overproduction occurs. These underproduced or overproduced volumes are valued based on the weighted average sales price for each respective property. The Company's gross underproduced and overproduced volumes at December 31, 1996 are not material.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

#### Pensions

The Company has a number of trustee noncontributory pension plans covering substantially all full-time employees. The Company's funding policy is to contribute amounts to the plans sufficient to meet the minimum funding requirements under governmental regulations, plus such additional amounts as management may determine to be appropriate. The benefits related to the plans are based on years of service and compensation earned during years of employment. The Company also has a noncontributory supplemental retirement plan for executive officers and selected key employees.

#### Other Postretirement and Postemployment Benefits

The Company provides certain health care and life insurance benefits for eligible retired employees and certain insurance and other postemployment benefits for eligible individuals whose employment is terminated by the Company prior to their normal retirement. The Company accrues the estimated cost of retiree benefit payments, other than pensions, during employees' active service periods. Employees become eligible for these benefits if they meet minimum age and service requirements. The Company accounts for benefits provided after employment but before retirement by accruing the estimated cost of postemployment benefits when the minimum service period is met, payment of the benefit is probable and the amount of the benefit can be reasonably

estimated. The Company's policy is to include other postretirement and postemployment benefits as claims are incurred.

#### Environmental Expenditures

Environmental liabilities are recorded when environmental assessments and/or remediation are probable and material and such costs to the Company can be reasonably estimated. The Company's estimate of environmental assessment and/or remediation costs to be incurred are based on either 1) detailed feasibility studies of remediation approach and cost for individual sites or 2) the Company's estimate of costs to be incurred based on historical experience and publicly available information based on the stage of assessment and/or remediation of each site. As additional information becomes available regarding each site or as environmental remediation standards change, the Company revises its estimate of costs to be incurred in environmental assessment and/or remediation. During the third quarter 1996, the Company, as part of its general reorganization, transferred certain liabilities related to environmental matters to Chemical Land Holdings, Inc. ("CLH"), an indirect subsidiary of YPF, effective as of August 1, 1996 (See Note Three).

#### Litigation Contingencies

The Company records liabilities for litigation when such amounts are probable, material and can be reasonably estimated.

#### Income Taxes

Effective August 13, 1996, YPF transferred ownership of its shares of the Company's Common Stock to Holdings, a U. S. corporation. The Company subsequently transferred its ownership of the common stock of CLH to a subsidiary of Holdings (See Note Three). As a result of these transactions both the Company and CLH are now included as members of an affiliated group of companies qualifying, within the meaning of the United States Internal Revenue Code, to file a consolidated federal income tax return having Holdings as common U. S. parent.

The Company's financial statements reflect an allocation of income tax expense or benefit from the Holdings consolidated income tax group. This method of allocation is consistent with the principles established by Statement of Financial Accounting Standard, No. 109 ("SFAS 109"), "Accounting for Income Taxes." It is

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

based on a calculation of income tax for the Company as a separate entity, adjusted to reflect certain attributes of Holdings' consolidated income tax return. The attributes include, but are not limited, to the consolidated loss apportionment, tax credits, and the alternative minimum tax.

Effective August 1, 1996, CLH assumed certain liabilities of the Company relating to environmental matters (See Note Three); thus, current taxes and deferred taxes associated with the assumption of these liabilities have been transferred to the accounts of CLH.

#### Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents, restricted cash and trade receivables.

The Company's cash equivalents and restricted cash represent high-quality securities placed with various high investment grade institutions. This investment practice limits the Company's exposure to concentrations of credit risk.

The Company's trade receivables are dispersed among a broad domestic and international customer base; therefore, concentrations of credit risk are limited. The Company carefully assesses the financial strength of its customers. Letters of credit are the primary security obtained to support lines of credit.

The Company has minimal exposure to credit losses in the event of nonperformance by the counterparties to derivative and nonderivative financial

assets. The Company does not obtain collateral or other security to support financial instruments subject to credit risk but restricts such arrangements to investment-grade counterparties.

#### Investments in Marketable Securities

Investments in debt and equity securities are reported at fair value except for those investments in debt securities which management has the intent and the ability to hold to maturity. Investments in debt securities which are held-for-sale are classified based on the stated maturity and management's intent to sell the securities. Unrealized gains and losses on investments in marketable securities, except for debt securities classified as "held-to-maturity", are reported as a separate component of stockholders' equity.

#### Derivatives

The Company periodically hedges the effects of fluctuations in the price of crude oil, natural gas and natural gas liquids ("NGL") through price swap agreements and futures contracts. During 1996, the Company hedged approximately 35% of its NGL sales and 60% of its U. S. natural gas production and anticipates hedging approximately 40% of its U. S. NGL sales and 85% of its U. S. natural gas production in 1997. Gains and losses on these hedges are deferred until the related sales are recognized and are recorded as a component of sales and operating revenues. The Company periodically entered into interest rate swap agreements to hedge interest on long-term debt; however, during the nine-month period ended December 31, 1995, the Company unwound its sole interest rate swap agreement.

#### Take-or-Pay Obligations

The Company records payments received for take-or-pay obligations for unpurchased contract volumes as deferred revenue, which is included in Other Liabilities in the Consolidated Balance Sheet. The deferred revenue is recognized in the Consolidated Statement of Operations as quantities are delivered which fulfill the take-or-pay obligation. At December 31, 1996 and 1995, the Company had \$3.1 million and \$12.4 million, respectively, in deferred revenue as a result of a take-or-pay payment received in 1995 related to its Indonesian operations.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

#### Uncertainties Involving Forward-Looking Disclosure

Certain of the statements set forth in the accompanying "Notes to Consolidated Financial Statements," such as the statements regarding expected cash advances from parents, projected environmental expenditures and the percentage of U. S. natural gas production anticipated to be hedged, are forward-looking (within the meaning of the U. S. Private Securities Litigation Reform Act of 1995) and are based upon assumptions that in the future may prove not to have been accurate. Such statements are subject to a number of risks and uncertainties including volatility of crude oil and natural gas prices, uncertainties regarding program spending commitments, environmental risks and operating hazards and risks. Because of the foregoing matters, the Company's actual results for 1997 and beyond could differ from those expressed in the forward-looking statements.

#### NOTE TWO--MERGER

On June 8, 1995, a special meeting of the stockholders of the Company was held to approve the Agreement of Merger ("Merger Agreement") dated February 28, 1995, between the Company, YPF Acquisition Corp. ("YPFA Corp.") and YPF. The holders of the Company's common stock, \$1.00 par value per share (the "Shares" or "Common Stock"), and \$4.00 Cumulative Convertible Preferred Stock (the "\$4.00 Preferred Stock" and, together with the Shares, the "Voting Shares"), approved the Merger Agreement, and the Purchaser was merged into the Company (the "Merger") on June 8, 1995 (the "Merger Date").

The Merger was the consummation of transactions contemplated by a tender offer (the "Offer") which was commenced on March 6, 1995 by YPFA Corp. for all the outstanding Shares at \$5.50 per Share. Pursuant to the Offer, in April 1995 YPFA Corp. acquired 120,000,613 Shares representing approximately 88.5% of the then-outstanding Shares of the Company. As a result of the Merger, each

outstanding Share (other than Shares held by YPFA Corp., YPF or any of their subsidiaries or in the treasury of the Company, all of which were canceled in the second quarter of 1995, and Shares of holders who perfected their appraisal rights under Section 262 of the Delaware General Corporation Law) was converted into the right to receive \$5.50 in cash, and YPF became the sole holder of all outstanding Shares.

The total amount of funds required by YPFA Corp. to acquire the entire common equity interest in the Company, including the purchase of Shares pursuant to the Offer and the payment for Shares converted into the right to receive cash pursuant to the Merger, was approximately \$762 million. In addition, YPFA Corp. assumed all outstanding obligations of the Company. On April 5, 1995, YPFA Corp. entered into a credit agreement with lenders for which The Chase Manhattan Bank (National Association) ("Chase") acted as agent, pursuant to which the lenders extended to YPFA Corp. a credit facility for up to \$550 million (the "Purchaser Facility"). On April 5, 1995, the Purchaser borrowed \$442 million under the Purchaser Facility and received a capital contribution of \$250 million from YPF. YPFA Corp. used borrowings under the Purchaser Facility and the funds contributed to it by YPF to purchase 120,000,613 Shares pursuant to the Offer. Subsequent to the Merger, these Shares and all other outstanding Shares vested in YPF.

Effective April 1, 1995, the Company used the purchase method to record the acquisition of the Company by YPF. In a purchase method combination, the purchase price is allocated to the acquired assets and assumed liabilities based on their fair values at the date of acquisition. As a result, the assets and liabilities of the Company were revalued to reflect the approximate \$762 million cash purchase price paid by YPF to acquire the Company. The Company's oil and gas properties were assigned carrying amounts based on their relative fair market values.

Following the Merger, Chase provided two additional credit facilities aggregating \$425 million: (i) a credit facility of \$250 million (the "Midgard Facility") extended to Midgard Energy Company, a wholly owned subsidiary of the Company, and (ii) a credit facility of \$175 million (the "Indonesian Facility") extended to Maxus Indonesia, Inc., a wholly owned subsidiary of the Company. The proceeds of the loans made pursuant to

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

these facilities were used to repay, in part, the Purchaser Facility, which was assumed by the Company pursuant to the Merger. In addition, the Company applied \$8 million of its available cash to repay the Purchaser Facility and used approximately \$86 million of its available cash to pay holders of Shares converted into the right to receive cash in the Merger. In December 1996, YPF International Ltd. ("International"), the parent of Holdings, loaned the Company approximately \$175 million to repay the Indonesian Facility (See Note Thirteen).

#### NOTE THREE--GENERAL REORGANIZATION

On June 18, 1996, the Company announced a reorganization which included the sale of three of its subsidiaries holding certain Bolivian and Venezuelan assets to YPF, the redemption of the outstanding shares of \$4.00 Preferred Stock and the transfer to a YPF subsidiary of a Maxus subsidiary that had assumed certain liabilities related to environmental matters.

On July 1, 1996, Maxus International Energy Company ("Seller"), a wholly owned subsidiary of Maxus, sold all of the issued and outstanding shares of capital stock of its wholly owned subsidiary, International, to YPF, pursuant to a Stock Purchase and Sale Agreement by and between YPF and Seller. The sole assets of International at the time of the transaction were all of the issued and outstanding shares of capital stock of Maxus Bolivia, Inc. ("Maxus Bolivia"), Maxus Venezuela (C.I.) Ltd. ("Venezuela C.I.") and Maxus Venezuela S.A. ("Venezuela S.A."). The assets of Maxus Bolivia consisted of all of the former assets and operations of Maxus in Bolivia, including the interests of Maxus in the Surubi Field and Secure and Caipipendi Blocks. The assets of Venezuela C.I. and Venezuela S.A. consisted of all of the former assets and operations of Maxus in Venezuela, except those held through Maxus Guarapiche Ltd. ("Maxus Guarapiche"), including the interests of Maxus in the Quiriquire Unit.

The purchase price for the outstanding shares of capital stock of International was \$266.2 million which represented the carrying amount of



International on the financial reporting books of Seller as of June 30, 1996. Maxus used the proceeds from this transaction for general corporate purposes, including the redemption of its \$4.00 Preferred Stock, which is discussed below.

While not a part of the above-described sale transaction, effective September 1, 1996, Seller sold all of the capital stock of Maxus Guarapiche to International for \$26.4 million which represented the carrying amount of Maxus Guarapiche on the financial reporting books of Seller as of August 31, 1996. Maxus Guarapiche had a 25% interest in the Guarapiche Block, an exploration block, in Venezuela.

Also as part of the general reorganization, on August 13, 1996 Maxus redeemed all of its outstanding shares of \$4.00 Preferred Stock at a price of \$50 per share plus accrued and unpaid dividends (approximately \$220.8 million in the aggregate). The excess of the redemption price over the carrying value of the \$4.00 Preferred Stock resulted in an increase in the Company's accumulated deficit of \$213.6 million. The Company used a portion of the proceeds from the sale of all of the issued and outstanding shares of capital stock of International as well as an advance from Holdings of approximately \$55.6 million to redeem the \$4.00 Preferred Stock.

As a further part of the reorganization, the Company transferred certain liabilities related to environmental matters to CLH, an indirect subsidiary of YPF, effective as of August 1, 1996. In connection with this transfer, CLH assumed (the "Assumption") the liabilities so transferred and YPF committed to contribute capital (the "Contribution Agreement") to CLH up to an amount of \$106.9 million that will enable CLH to satisfy its obligations under the Assumption based on the Company's reserves established in respect of the assumed liabilities as of July 31, 1996 plus certain operating expenses budgeted by CLH from time to time. YPF will not be obligated to contribute capital to CLH beyond the amount of its initial undertaking. The Company will remain responsible for any obligations assumed by CLH in the event CLH does not perform or fulfill such obligations. CLH has assumed responsibility for, among other things, the environmental contingencies discussed in Note

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Twenty-Two and a declaratory judgment action filed by Occidental Chemical Corporation ("OxyChem") and Henkel Corporation ("Henkel"), and the Company transferred to CLH its remaining rights to recover costs under a cost-sharing arrangement with Ultramar Diamond Shamrock Corporation.

The contribution obligation of YPF related to the Assumption was reflected on the Company's financial statements as a long-term and short-term funding guarantee from parent totaling \$106.9 million, an increase to deferred income taxes of \$37.4 million and an increase to paid-in capital of \$69.5 million. At December 31, 1996, the outstanding funding guarantee totaled \$102.6 million. Insofar as CLH has assumed the Company's environmental liabilities and YPF has committed to pay for the liabilities, such liabilities are not expected to have an adverse impact on the financial reporting books of the Company.

Under the terms of the Contribution Agreement, Maxus agreed that any contributions to the equity capital of CLH shall reduce the obligation of YPF to capitalize Maxus pursuant to the Merger Agreement. During 1996, capital contributions of \$8.0 million were made to CLH.

Effective August 13, 1996, YPF transferred ownership of its shares of the Company's Common Stock to one of its wholly owned subsidiaries, Holdings.

#### NOTE FOUR--ASSET ACQUISITION AND DIVESTITURES

In January 1996, the Company and its partners were successful in acquiring the highly prospective Guarapiche Block in Venezuela's first auction awards for equity production in over 20 years. Guarapiche is located on the same trend as the five billion barrel El Furrial field in northeastern Venezuela. In July 1996, the Company, together with its partners, paid \$109 million (\$27 million net to Maxus) to the Venezuelan Government for rights to explore the Guarapiche Block. BP Exploration Orinoco Limited is the operator with a 37.5% working interest, while Amoco Production Company and the Company hold the remaining 37.5% and 25%, respectively. Effective September 1, 1996, Maxus sold all of the capital stock of Maxus Guarapiche, which owns a 25% interest in the Guarapiche Block, to International (See Note Three).

In December 1995, the Company sold its overriding royalty interest in the Recetor Block in Colombia for \$25 million. There was no gain or loss recognized on this transaction as the sales price approximated the carrying value of the investment in the Recetor Block.

#### NOTE FIVE--GEOGRAPHIC DATA AND SIGNIFICANT CUSTOMERS

The Company is engaged primarily in the exploration for and the production and sale of crude oil and natural gas.

Sales, operating profit and identifiable assets by geographic area were as follows:

<TABLE>

<CAPTION>

SALES AND OPERATING REVENUES			
		TWELVE MONTHS ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995
<S>	<C>		<C>
United States.....		\$232.7	\$128.9
Indonesia.....		403.9	298.3
South America.....		81.4	36.6
		-----	-----
		\$718.0	\$463.8
		=====	=====

</TABLE>

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<PAGE>

#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

<TABLE>

<CAPTION>

OPERATING PROFIT/(LOSS)			
		TWELVE MONTHS ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995
<S>	<C>		<C>
United States.....		\$ 37.8	\$ (15.1)
Indonesia.....		157.1	88.7
South America.....		29.5	(11.5)
Other foreign.....		(7.8)	(15.9)
		-----	-----
		216.6	46.2
General corporate income/(expenses).....		16.2	(5.9)
Interest and debt expenses.....		(134.6)	(104.9)
		-----	-----
		\$ 98.2	\$ (64.6)
		=====	=====

</TABLE>

<TABLE>

<CAPTION>

IDENTIFIABLE ASSETS			
		DECEMBER 31, 1996	DECEMBER 31, 1995
<S>	<C>		<C>
United States.....		\$ 737.6	\$ 715.9
Indonesia.....		1,174.0	1,157.1
South America.....		320.2	666.6
Other foreign.....		21.9	24.3
		-----	-----
		2,253.7	2,563.9
Corporate assets.....		202.8	152.9
		-----	-----
		\$2,456.5	\$2,716.8
		=====	=====

</TABLE>

Sales to three customers for the twelve months ended December 31, 1996 and

for the nine months ended December 31, 1995, each represented 10% or more of consolidated sales:

<TABLE>  
<CAPTION>

	TWELVE MONTHS ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995
<S>	<C>	<C>
Phillips Petroleum Company.....	\$ 88.7	\$ 44.4
Mitsubishi Corporation.....	61.0	49.6
Indonesian Government.....	123.1	102.4

</TABLE>

The Company does not believe that the loss of Mitsubishi Corporation or Phillips Petroleum Company as a customer would adversely affect the Company's ability to market its oil and gas production. Sales to the Company's largest customer, the Indonesian Government, are made primarily pursuant to long-term production sharing contracts between the Company's Indonesian subsidiaries and the Indonesian Government. The Indonesian Government is required to purchase a specified amount of the Company's oil and gas production throughout the life of its operations in Indonesia based on these contracts.

#### NOTE SIX--TAXES

Income (loss) before income taxes was comprised of income (loss) from:

<TABLE>  
<CAPTION>

	TWELVE MONTHS ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995
<S>	<C>	<C>
United States.....	\$ (80.6)	\$ (125.9)
Foreign.....	178.8	61.3
	<u>\$ 98.2</u>	<u>\$ (64.6)</u>
	=====	=====

</TABLE>

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<PAGE>

#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The Company's provision/(benefit) for income taxes was comprised of the following:

<TABLE>  
<CAPTION>

	TWELVE MONTHS ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995
<S>	<C>	<C>
Current		
Federal.....	\$ 2.6	\$ (7.9)
Foreign.....	101.2	64.9
State and local.....	(5.0)	1.3
	<u>98.8</u>	<u>58.3</u>
Deferred		
Federal.....	(20.4)	(15.2)
Foreign.....	(.8)	(34.0)
	<u>(21.2)</u>	<u>(49.2)</u>
Provision for income taxes.....	<u>\$ 77.6</u>	<u>\$ 9.1</u>
	=====	=====

</TABLE>

As a result of signing the production sharing contract in Ecuador in 1996 (See Note Twenty-Two), foreign deferred tax expense was reduced by \$3.5 million.

The principal reasons for the difference between tax expense at the statutory

federal income tax rate of 35% and the company's provision for income taxes were:

<TABLE>

<CAPTION>

	TWELVE MONTHS ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995
<S>	<C>	<C>
Tax expense (benefit) at statutory federal rate.....	\$ 34.4	\$(22.6)
Increase (reduction) resulting from:		
Taxes on foreign income.....	65.0	19.8
Asset sales.....	2.0	1.5
Non-deductible depreciation and amortization of net purchase price adjustments.....	4.7	4.4
Valuation allowance.....	(24.6)	11.7
Audit settlements and other changes in tax position.....	(3.6)	(5.0)
Other, net.....	(.3)	(.7)
	-----	-----
Provision for income taxes.....	\$ 77.6	\$ 9.1
	=====	=====

</TABLE>

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<PAGE>

# MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 1996 and 1995, were as follows:

<TABLE>

<CAPTION>

	TWELVE MONTHS ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995
<S>	<C>	<C>
U. S. deferred tax liabilities		
Properties and equipment.....	\$ 241.7	\$ 296.3
Discount on long-term debt.....	35.2	38.7
Other.....	2.4	
	-----	-----
Deferred U. S. tax liabilities..	279.3	335.0
	-----	-----
U. S. deferred tax assets		
Foreign deferred taxes.....	(133.5)	(139.8)
Book accruals.....	(33.2)	(68.4)
Interest limitation carryforwards.....		(16.4)
Loss carryforwards.....	(46.0)	(72.7)
Credit carryforwards.....	(20.6)	(19.9)
Other.....	(4.3)	(7.1)
	-----	-----
Gross deferred U. S. tax assets.....	(237.6)	(324.3)
	-----	-----
Valuation allowance.....	64.4	87.1
	-----	-----
Net deferred U. S. tax assets...	(173.2)	(237.2)
	-----	-----
Net deferred U. S. taxes.....	106.1	97.8
	-----	-----
Foreign deferred tax liabilities		
Properties and equipment.....	381.4	446.5
	-----	-----
Net deferred foreign taxes.....	381.4	446.5
	-----	-----
Net deferred taxes.....	\$ 487.5	\$ 544.3
	=====	=====

</TABLE>

As a result of a decrease in U. S. net operating loss carryforwards, the valuation allowance was decreased \$22.7 million during the twelve months ended December 31, 1996.

At December 31, 1996, the Company had \$13.5 million of general business credit carryforwards that expire between 1997 and 2002; \$132.1 million of U. S. net operating loss carryforwards that expire from 2004 to 2010 and \$7.1 million of minimum tax credit that can be carried forward indefinitely.

As a result of the Merger, effective April 1, 1995, the Company's ability to utilize its existing net operating loss carryforwards will be limited by statute to approximately \$92.0 million each year until exhausted. To the extent certain gains are recognized in the future, the annual limitation may be increased to the extent that the gains are built-in gains within the meaning of the U. S. Internal Revenue Code.

There are accumulated undistributed earnings after applicable local taxes of foreign subsidiaries of \$6.6 million for which no provision was necessary for foreign withholding or other income taxes because that amount had been reinvested in properties and equipment and working capital.

On August 13, 1996, the Company became a member of an affiliated group of corporations having YPF Holdings, Inc., as common U. S. parent, and which will file a consolidated federal income tax return (See Note Three). As a member of the group, the Company is jointly and severally liable for the consolidated federal income tax liability of the group. The Company and its subsidiaries may also be included in certain state and local income or franchise tax returns of members of the group.

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&lt;PAGE&gt;

## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Taxes other than income taxes were comprised of the following:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	TWELVE MONTHS ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995
<S>	<C>	<C>
Gross Production.....	\$ 7.8	\$4.1
Real and Personal Property.....	5.2	5.2
Other.....	1.0	.4
	-----	-----
	\$14.0	\$9.7
	=====	=====

&lt;/TABLE&gt;

## NOTE SEVEN--POSTEMPLOYMENT BENEFIT

## Pensions

The components of net periodic pension expense are as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	TWELVE MONTHS ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995
<S>	<C>	<C>
Service cost for benefits earned during the period.....	\$ 2.1	\$ 1.4
Interest cost on projected benefit obligation.....	8.9	6.5
Actual return on plan assets.....	(9.1)	(13.4)
Net amortization and deferrals.....	.4	7.4
	-----	-----
	\$ 2.3	\$ 1.9
	=====	=====

&lt;/TABLE&gt;

Plan assets are primarily invested in short-term investments, stocks and bonds. The principal assumptions used to estimate the benefit obligations of

the plans on the measurement dates, October 1, 1996 and 1995, were as follows:

<TABLE>

<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
Discount rate.....	7.75%	7.5%
Expected long-term rate of return on plan assets.....	9.0%	9.0%
Rate of increase in compensation levels.....	4.5%	4.5%

</TABLE>

The funded status of the plans at December 31, 1996 and 1995 were as follows:

<TABLE>

<CAPTION>

	DECEMBER 31, 1996		DECEMBER 31, 1995	
	PLANS WITH		PLANS WITH	
	ACCUMULATED	ASSETS	ACCUMULATED	ASSETS
	BENEFITS EXCEEDING	EXCEEDING ACCUMULATED	BENEFITS EXCEEDING	EXCEEDING ACCUMULATED
	ASSETS	BENEFITS	ASSETS	BENEFITS
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Actuarial present value of:				
Vested benefit obligation.....	\$25.0	\$82.9	\$111.7	\$1.1
	-----	-----	-----	-----
Accumulated benefit obligation.....	\$28.0	\$85.8	\$117.6	\$1.1
	-----	-----	-----	-----
Projected benefit obligation.....	\$33.8	\$85.8	\$122.6	\$1.1
Plan assets at fair value.....	23.9	93.6	102.8	1.3
	-----	-----	-----	-----
Plan assets (less) more than projected benefit obligation.....	\$ (9.9)	\$ 7.8	\$ (19.8)	\$ .2
Unrecognized net loss (gain).....	7.6	(7.8)	10.1	
Adjustment required to recognize minimum liability.....	(.2)		(5.9)	
	-----	-----	-----	-----
Prepaid (accrued) pension cost.....	\$ (2.5)	\$	\$ (15.6)	\$ .2
	=====	=====	=====	=====

</TABLE>

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<PAGE>

# MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

As a result of the Merger, the Company was required to fully accrue its obligation for pension benefits in purchase accounting (See Note Two). Therefore, effective April 1, 1995, the Company increased its balance sheet liability to reflect any previously unrecognized gains and losses, transition obligations and prior service costs. Additionally, several of the Company's pension plans experienced a partial curtailment due to workforce reductions following the Merger. The impact of the partial curtailment, which had no impact on the Company's net periodic pension expense, reduced the Company's projected benefit obligation by \$1.1 million.

At December 31, 1996 and 1995, the Company's accumulated postretirement benefit obligation ("APBO") exceeded the plan assets. In accordance with Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," the Company recorded a minimum pension liability of \$.2 million and \$5.9 million and a charge to equity of \$.2 million and \$5.9 million at December 31, 1996 and 1995, respectively.

The Company also has a defined contribution plan which covers Indonesian nationals. In addition to employee contributions of 2% of each covered employee's compensation, the Company contributes 6% of such employees'

compensation to the plan. The Company's contributions to the plan were \$.4 million for 1996 and \$.4 million in the last three quarters of 1995.

#### Other Postretirement Benefits

As a result of the Merger, the Company was required to fully accrue its obligation for postretirement benefits other than pensions in purchase accounting (See Note Two). Therefore, effective April 1, 1995, the Company increased its balance sheet liability by \$31.7 million to reflect any previously unrecognized gains and unrecognized transition obligation at March 31, 1995.

The components of net periodic postretirement benefit expense for the twelve months ended December 31, 1996 and for the nine months ended December 31, 1995 are as follows:

<TABLE>

<CAPTION>

	TWELVE MONTHS ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995
<S>	<C>	<C>
Service cost for benefits earned during the period.....	\$ .3	\$ .3
Interest cost on accumulated postretirement benefit obligation..	3.0	2.6
	----	----
	\$3.3	\$2.9
	=====	=====

</TABLE>

The Company's current policy is to fund postretirement health care benefits on a pay-as-you-go basis as in prior years.

The APBO as of December 31, 1996 was \$41.7 million. The amount recognized in the Company's statement of financial position at December 31, 1996 and 1995, is as follows:

<TABLE>

<CAPTION>

	DECEMBER 31, 1996	DECEMBER 31, 1995
<S>	<C>	<C>
Retirees.....	\$36.4	\$39.9
Fully eligible active employees.....	1.8	2.3
Other active employees.....	3.5	4.4
Total APBO.....	41.7	46.6
Unrecognized net gain (loss) and changes in assumptions.....	2.8	(1.6)
Prior year service cost.....	.6	
	----	----
Net postretirement benefit liability.....	\$45.1	\$45.0
	=====	=====

</TABLE>

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

A discount rate of 7.75% was used in determining the APBO at December 31, 1996. The APBO was based on a 9% increase in the medical cost trend rate, with the rate trending downward .5% per year to 5% in 2004 and remaining 5% thereafter. This assumption has a significant effect on annual expense, as it is estimated that a 1% increase in the medical trend rate would increase the APBO at December 31, 1996 by \$3.4 million and increase the net periodic postretirement benefit cost by \$.3 million per year.

#### NOTE EIGHT--FINANCIAL INSTRUMENTS

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. Unless otherwise disclosed, the fair value of financial instruments approximates their recorded values.

## Restricted Cash

The fair value of the Company's restricted cash, which is invested primarily in U.S. Treasury notes, marketable securities and trust accounts, is based on the quoted market prices for the same or similar securities at the reporting date. The Company's gross unrealized gain on its restricted cash was \$1.0 million and \$2.3 million at December 31, 1996 and December 31, 1995, respectively. Such unrealized gain has not been reflected in the accompanying Consolidated Balance Sheet as the Company has classified these investments as held-to-maturity in accordance with Statement of Financial Accounting Standard No. 115, "Accounting for Certain Investments In Debt and Equity Securities."

## Long-Term Debt

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

The estimated fair value of the Company's financial instruments are as follows:

		DECEMBER 31, 1996	
		CARRYING AMOUNT	FAIR VALUE
		-----	-----
<S>	<C>	<C>	<C>
ASSETS			
Restricted cash, including current and long-term portion.....	\$ 33.8	\$	34.8
LIABILITIES			
Long-term debt, including current portion....	1,270.7		1,415.4
\$9.75 Preferred Stock.....	62.5		62.6

<CAPTION>

		DECEMBER 31, 1995	
		CARRYING AMOUNT	FAIR VALUE
		-----	-----
<S>	<C>	<C>	<C>
ASSETS			
Restricted cash, including current and long-term portion.....	\$ 80.4	\$	82.7
LIABILITIES			
Long-term debt, including current portion....	1,295.5		1,408.7
\$9.75 Preferred Stock.....	125.0		125.8

</TABLE>

For information on the Company's derivative financial instruments, see Note Fourteen.

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<PAGE>

## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

## NOTE NINE--RECEIVABLES

		DECEMBER 31, 1996	DECEMBER 31, 1995
		-----	-----
<S>	<C>	<C>	<C>
Trade receivables.....	\$157.9		\$101.4
Notes and other receivables.....	36.4		41.3
Receivable from YPF for generator sale.....	5.4		
Less--Allowance for doubtful receivables.....	.7		.9
	-----		-----
	\$199.0		\$141.8
	=====		=====

</TABLE>

## NOTE TEN--PROPERTIES AND EQUIPMENT



<TABLE>  
<CAPTION>

	DECEMBER 31, 1996	DECEMBER 31, 1995
<S>	<C>	<C>
Proved properties.....	\$1,618.1	\$1,512.6
Unproved properties.....	453.3	768.8
Gas plants and other.....	244.6	208.8
	-----	-----
Total Oil and Gas.....	2,316.0	2,490.2
Corporate.....	5.3	13.3
	-----	-----
	2,321.3	2,503.5
Less--Accumulated depreciation, depletion and amortization.....	299.1	139.9
	-----	-----
	\$2,022.2	\$2,363.6
	=====	=====

</TABLE>

The charge against earnings for depreciation, depletion and amortization of property and equipment was \$168.9 million and \$142.1 million for the twelve months ended December 31, 1996 and for the nine months ended December 31, 1995 and the charge against earnings for maintenance and repairs, which is included in operating expenses, was \$32.2 million and \$25 million, respectively.

#### NOTE ELEVEN--RESTRICTED CASH

At December 31, 1996, the Company had \$33.8 million in restricted cash of which \$.6 million represented collateral for outstanding letters of credit and \$33.2 million represented assets held in trust as required by certain insurance policies. At December 31, 1996, approximately \$7.3 million of assets held in trust as required by certain insurance policies were classified as a current asset. At December 31, 1995, the Company had \$80.4 million in restricted cash, of which \$30.7 million represented collateral for outstanding letters of credit, \$7.4 million represented six months of interest on outstanding borrowings as required by a credit agreement and \$42.3 million represented assets held in trust as required by certain insurance policies. At December 31, 1995, approximately \$19.0 million of collateral for outstanding letters of credit were classified as a current asset.

#### NOTE TWELVE--ACCRUED LIABILITIES

<TABLE>  
<CAPTION>

	DECEMBER 31, 1996	DECEMBER 31, 1995
<S>	<C>	<C>
Accrued interest payable.....	\$ 21.6	\$ 24.2
Joint interest billings for interna- tional operations.....	37.0	41.7
Merger reserve.....	12.8	31.4
Environmental reserve.....	27.4	28.5
Overlift payable.....	15.6	6.6
Postretirement and postemployment ben- efits.....	4.5	4.5
Accrued compensation, benefits and withholdings.....	6.0	8.1
Other.....	33.1	28.4
	-----	-----
	\$158.0	\$173.4
	=====	=====

</TABLE>

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<PAGE>

#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

#### NOTE THIRTEEN--LONG-TERM DEBT AND CREDIT ARRANGEMENTS

<TABLE>  
<CAPTION>

DECEMBER 31, 1996

UNAMORTIZED

	FACE VALUE	DISCOUNT	CARRYING VALUE
<S>	<C>	<C>	<C>
Senior Indebtedness			
Sinking Fund Debentures			
11 1/4% due 2013, effective rate 13.45%.....	\$ 16.9	\$ 2.5	\$ 14.4
11 1/2% due 2001-2015, effective rate 13.82%.....	109.6	14.5	95.1
8 1/2% due 1998-2008, effective rate 12.60%.....	93.8	16.0	77.8
Notes			
9 7/8% due 2002, effective rate 12.26%.....	247.8	24.0	223.8
9 1/2% due 2003, effective rate 12.22%.....	100.0	11.5	88.5
9 3/8% due 2003, effective rate 12.03%.....	260.0	31.6	228.4
Medium-term notes.....	110.6	.1	110.5
Midgard Facility.....	250.0		250.0
Advances from parent.....	182.2		182.2
	-----	-----	-----
Total senior indebtedness.....	1,370.9	100.2	1,270.7
Less--current portion.....	54.1		54.1
	-----	-----	-----
	\$1,316.8	\$100.2	\$1,216.6
	=====	=====	=====

&lt;CAPTION&gt;

	DECEMBER 31, 1995		
	UNAMORTIZED		
	FACE VALUE	DISCOUNT	CARRYING VALUE
<S>	<C>	<C>	<C>
Senior Indebtedness			
Sinking Fund Debentures			
11 1/4% due 2013, effective rate 13.45%.....	\$ 16.9	\$ 2.5	\$ 14.4
11 1/2% due 2001-2015, effective rate 13.82%.....	109.6	15.0	94.6
8 1/2% due 1998-2008, effective rate 12.60%.....	93.8	17.7	76.1
Notes			
9 7/8% due 2002, effective rate 12.26%.....	247.8	26.7	221.1
9 1/2% due 2003, effective rate 12.22%.....	100.0	12.7	87.3
9 3/8% due 2003, effective rate 12.03%.....	260.0	34.5	225.5
Medium-term notes.....	144.9	.1	144.8
Bank and other loans.....	.1		.1
Midgard Facility.....	250.0		250.0
Indonesian Facility.....	175.0		175.0
Advances from parent.....	6.6		6.6
	-----	-----	-----
Total senior indebtedness.....	1,404.7	109.2	1,295.5
Less--current portion.....	34.3		34.3
	-----	-----	-----
	\$1,370.4	\$109.2	\$1,261.2
	=====	=====	=====

&lt;/TABLE&gt;

As a result of the Merger, the Company was required to revalue its outstanding debt to market value. Consequently, the Company reduced the carrying amount of its debt by recording \$115.1 million of unamortized discount on April 1, 1995. For the twelve months ended December 31, 1996 and the nine months ended

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&lt;PAGE&gt;

## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

December 31, 1995, discount amortization of \$9.0 million and \$5.9 million, respectively, was included as a component of interest expense.

The aggregate maturities of long-term debt outstanding at December 31, 1996

for the next five years will be as follows:

<TABLE>	
<S>	<C>
1997.....	\$54.1
1998.....	60.5
1999.....	48.5
2000.....	46.0
2001.....	54.1
</TABLE>	

At December 31, 1996, the Company had \$110.5 million of medium-term notes outstanding, which were issued in prior years, with maturities from 1997 to 2004 and annual interest rates ranging from 7.57% to 11.08%.

The Company maintains three credit facilities which are used for the issuance of documentary or standby letters of credit. At December 31, 1996, there were \$.6 million of cash collateralized letters of credit outstanding under an uncommitted credit facility. Also, at December 31, 1996, there were \$9.1 million of letters of credit outstanding under an uncommitted credit facility of \$10.0 million which is backed by a YPF guaranty. Finally, at December 31, 1996, there were \$11.5 million of letters of credit outstanding under a committed credit facility of \$40 million, which is also backed by a YPF guaranty.

During 1996, the Company repaid \$34.2 million of medium-term notes maturing in 1996. To fund this repayment, the Company used a portion of the proceeds from the sale of the outstanding shares of capital stock of an indirect, wholly owned subsidiary of Maxus (See Note Three).

Total interest and debt expenses incurred, including capitalized interest, were as follows:

<TABLE>	
<CAPTION>	
	TWELVE MONTHS ENDED DECEMBER 31, 1996
	NINE MONTHS ENDED DECEMBER 31, 1995
<S>	<C>
Interest and debt expenses.....	\$134.6
Capitalized interest.....	1.6
	-----
	\$136.2
	=====
</TABLE>	

#### CREDIT FACILITIES

On April 5, 1995, the Company borrowed \$442 million under the Purchaser Facility (See Note Two) and received a capital contribution of \$250 million from YPF. The Purchaser used borrowings under the Purchaser Facility and the funds contributed to it by YPF to purchase 120,000,613 Shares pursuant to the Offer.

Pursuant to a commitment letter from Chase, Chase provided two additional credit facilities aggregating \$425 million: (i) a credit facility of \$250 million extended to Midgard Energy Company ("Midgard"), a wholly owned subsidiary of the Company and (ii) a credit facility of \$175 million extended to Maxus Indonesia, Inc. ("Indonesia"), a wholly owned subsidiary of the Company. The proceeds of these loans were used to repay in part, the Purchaser Facility, which was assumed by the Company. In addition, the Company applied \$8 million of its available cash to repayment of the Purchaser Facility. The Company capitalized \$16.8 million of debt issue costs during 1995 in connection with the Midgard and Indonesia credit facilities. These costs are recorded as deferred charges and amortized over the terms of the related borrowings. For the twelve months ended December 31, 1996, \$2.0 million of debt issue costs amortization was included as a component of interest expense. Such costs were \$1.2 million for the nine months ended December 31, 1995.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Indonesian Facility. Approximately \$175 million of the Purchaser Facility was repaid with funds provided on June 16, 1995 to the Company by Indonesia.

Indonesia provided these funds from the proceeds of a \$175 million loan (the "Subsidiaries Loan") extended to it pursuant to a credit agreement (the "Indonesian Facility") entered into on such date. In December 1996, International advanced the Company \$175 million in the form of a demand note bearing 5.75% interest compounded annually, to repay the Indonesian Facility. Unamortized debt issue costs associated with this early retirement were recorded as an extraordinary loss of \$5.6 million, net of taxes. The tax impact of this transaction was less than \$.1 million.

Midgard Facility. Approximately \$250 million of the loans under the Purchaser Facility were repaid on June 8, 1995 with funds provided to the Company by Midgard. Midgard provided these funds from the proceeds of a \$250 million loan (the "Midgard Loan") extended to it pursuant to a credit agreement (the "Midgard Facility") entered into on such date. In addition, approximately \$8 million of the loans outstanding under the Purchaser Facility, including accrued interest on the Purchaser Facility loans, were repaid on June 8, 1995 utilizing cash held by the Company.

The Midgard Loan, which was made in a single drawing, will mature on December 31, 2003 and will be repaid in up to 28 consecutive quarterly installments commencing on March 31, 1997, subject to semi-annual borrowing base redeterminations. At Midgard's option, the interest rate applicable to the Midgard Loan will be, until March 31, 1997, either (i) the one-, two- or three-month London Interbank Offered Rate ("LIBOR") plus a margin of 1 3/4% or (ii) the Base Rate (as defined in the Midgard Facility) plus a margin of 3/4% and, thereafter, either (iii) the one-, two- or three-month LIBOR plus a margin of 2 1/4% or (iv) the Base Rate plus a margin of 1 1/4%. At December 31, 1996, the interest rate on the Midgard Facility based on the two-month LIBOR plus 1 3/4% was 7.375%. The Midgard Loan is not secured but is guaranteed by YPF and the Company. The agreement evidencing the Midgard Loan contains, among other things, a negative pledge on all assets of Midgard, subject to customary exceptions. It is anticipated that the Midgard Loan will be repaid with funds generated by Midgard's business operations.

The Midgard Facility contains restrictive covenants including limitations upon the sale of assets, mergers and consolidations, the creation of liens and additional indebtedness, investments, dividends, the purchase or repayment of subordinated indebtedness, transactions with affiliates and modifications to certain material contracts. The obligors under the Midgard Facility may not permit (a) consolidated tangible net worth to be less than \$200 million, plus (or minus) the amount of any adjustment in the book value of assets (b) the ratio of consolidated cash flow to consolidated debt service to be less than 1.1 to 1.0 at the end of any fiscal quarter and (c) the ratio of consolidated cash flow to consolidated interest expense to be less than 1.25 to 1.0 at the end of any fiscal quarter. In addition, mandatory prepayments of the loans under the Midgard Facility may be required in connection with certain asset sales and casualty losses, upon the issuance of subordinated indebtedness and in 1996 and in each year thereafter if, after semi-annual review, the agent and the lenders determine that a borrowing base deficiency exists. At December 31, 1996, the borrowing base for the Midgard Facility was \$250 million. The borrowing base is subject to redetermination on April 1, 1997. No borrowing base deficiencies existed at December 31, 1996.

The guaranty by Maxus of the obligations of Midgard under the Midgard Facility (the "Midgard Guaranty") contains restrictions upon mergers and consolidations, the creation of liens and the business activities in which Maxus and its subsidiaries may engage. In addition, Midgard, is required to be wholly owned subsidiary of Maxus, except to the extent YPF or a subsidiary of YPF (other than Maxus or a subsidiary of Maxus) makes capital contributions to Midgard.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

##### Keepwell Covenant

Pursuant to the Merger Agreement, in the event that the Company is unable to meet its obligations as they come due, whether at maturity or otherwise, including, solely for the purposes of this undertaking, dividend and redemption payments with respect to the \$9.75 Preferred Stock and the \$2.50 Preferred Stock, YPF has agreed to capitalize the Company in an amount necessary to permit the Company to meet such obligations; provided that YPF's aggregate obligation will be: (i) limited to the amount of debt service obligations under the Purchaser Facility, the Midgard Facility and the

Indonesian Facility and (ii) reduced the amount, if any, of capital contributions by YPF to the Company after the Merger Date and by the amount of the net proceeds of any sale by the Company of common stock or non-redeemable preferred stock after the Merger Date. The foregoing obligations of YPF (the "Keepwell Covenant") will survive until June 8, 2004. During the twelve months ended December 31, 1996, YPF made capital contributions to the Company and CLH (See Note Three) in the aggregate amount of \$64 million and \$8 million, respectively. These amounts represent the cumulative contribution received by Maxus and CLH from YPF pursuant to the terms of the Keepwell Covenant. Based on current projections, it is anticipated that YPF will make capital contributions to CLH in the aggregate amount of approximately \$25 to \$50 million under the Keepwell Covenant during 1997.

In addition, YPF has guaranteed the Company's outstanding debt as of the Merger Date, the principal amount of which was approximately \$976 million. At December 31, 1996, the principal amount of outstanding debt guaranteed by YPF was approximately \$939 million. The debt covered by the YPF guarantee includes the Company's outstanding 11 1/4%, 11 1/2% and 8 1/2% Sinking Fund Debentures, its outstanding 9 7/8%, 9 1/2% and 9 3/8% Notes, and its outstanding medium-term notes. YPF has also guaranteed the payment and performance of the Company's obligations to the holders of its \$9.75 Preferred Stock (which was redeemed in accordance with its terms on January 31, 1997).

#### Advances from Parent

At December 31, 1996 and 1995, the Company had \$182.2 million and \$6.6 million, respectively, outstanding in advances from parent. As discussed above, in December 1996 the Company received a \$175 million cash advance from International to fund the early repayment of the Subsidiaries Loan. Based on current projections, the Company anticipates that Holdings could be required to make cash advances of approximately \$150 million to \$200 million during 1997.

At December 31, 1996, the Company's outstanding advances from parent of \$182.2 million included a \$175.3 million note payable to International. The note is a demand note, bearing 5.75% annual compound interest. It is not anticipated that International will request repayment of this note during 1997.

The Company and YPF entered into a loan agreement (the "Loan Agreement") during 1996 to facilitate short-term loans by YPF to the Company and short-term loans by the Company to YPF of excess cash balances. At December 31, 1996, there were no loans outstanding under the Loan Agreement. It is expected that loans will be made by the parties under the Loan Agreement during 1997; however, the number and amounts thereof are not presently known.

#### NOTE FOURTEEN--DERIVATIVE FINANCIAL INSTRUMENTS

The Company's only derivative financial instruments are natural gas, NGL and crude oil price swap agreements and crude oil and natural gas futures contracts, which are not used for trading purposes. During the nine-month period ended December 31, 1995, the Company unwound its sole interest rate swap agreement and recorded a \$2.4 million final settlement gain in other revenues. The Company also received a \$4.5 million termination payment, which was deferred.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

#### Natural Gas Price Swap Agreements

Under the price swap agreements used to hedge fluctuations in the price of natural gas, the Company receives or makes payments based on the differential between the Company's specified price and the counterparty's specified price of natural gas. Typically, the Company pays a variable price per million British Thermal Units ("Mmbtu") and receives a fixed price per Mmbtu. During the twelve months ended December 31, 1996, the Company had swap agreements with other companies to exchange payments on 32.3 million Mmbtu of gas. Under these swap agreements, the Company paid variable prices averaging \$2.14 per Mmbtu and received fixed prices averaging \$1.79 per Mmbtu. Gross losses realized on these swap agreements of \$11.4 million were partially offset by gross gains of \$1.1 million resulting in a net loss of \$11.3 million. During the nine months ended December 31, 1995, the Company had swap agreements with other companies to exchange payments on 10.7 million Mmbtu of gas. Under these

swap agreements, the Company paid variable prices averaging \$1.68 per Mmbtu and received fixed prices averaging \$1.53 per Mmbtu. Gross losses realized on these swap agreements of \$2.1 million were partially offset by gross gains of \$0.5 million resulting in a net loss of \$1.6 million.

As of December 31, 1996, the Company has outstanding price swap agreements with other companies to exchange payments on 36.5 million Mmbtu of gas during 1997. Under these swap agreements, the Company will receive fixed prices averaging \$2.08 per Mmbtu. Actual gains and losses realized upon settlement of these price swap agreements will depend upon the variable prices paid at the time of settlement.

#### Natural Gas Liquids Price Swap Agreements

Under the price swap agreements used to hedge fluctuations in the price of NGL, the Company receives or makes payments based on the differential between the Company's specified price and the counterparty's specified price of natural gas. Typically, the Company pays a variable price per barrel ("bbl") and receives a fixed price per bbl. During the twelve months ended December 31, 1996, the Company had swap agreements with other companies to exchange payments on 2.3 million barrels ("mmb") of NGL. Under these swap agreements, the Company paid variable prices averaging \$17.64 per bbl and received fixed prices averaging \$13.55 per bbl. Gross losses realized on these swap agreements totaled \$9.5 million during 1996. There were no NGL price swap agreements in place during 1995.

As of December 31, 1996, the Company had outstanding price swap agreements with other companies to exchange payments on 2.5 mmb of NGL during 1997. Under these swap agreements, the Company will receive fixed prices averaging \$14.84 per bbl. Actual gains and losses realized upon settlement of these price swap agreements will depend upon the variable prices paid at the time of settlement.

#### Natural Gas Futures Contracts

Under the natural gas futures contracts used to hedge fluctuations in the price of natural gas, the Company receives or makes payments based on the differential between the selling price of natural gas and the settlement price per Mmbtu. During the twelve months ended December 31, 1996, the Company settled futures contracts on 3.6 million Mmbtu of gas. Under these futures contracts, the Company received selling prices averaging \$2.01 per Mmbtu and paid settlement prices averaging \$2.57 per Mmbtu. Realized gross losses on these futures contracts totaled \$2.0 million during 1996. During the nine months ended December 31, 1995, the Company settled futures contracts with other companies on 4.9 million Mmbtu of natural gas. Under these futures contracts, the Company received selling prices averaging \$1.71 per Mmbtu and paid settlement prices averaging \$1.70 per Mmbtu. Realized gross gains and losses on these futures contracts were immaterial. At December 31, 1996, the Company had no open futures contracts.

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### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

#### NOTE FIFTEEN--PREFERRED STOCK

Maxus has the authority to issue 100,000,000 shares of Preferred Stock, \$1.00 par value. The rights and preferences of shares of authorized but unissued Preferred Stock are established by the Company's Board of Directors at the time of issuance.

##### \$9.75 Cumulative Convertible Preferred Stock

In 1987, Maxus sold 3,000,000 shares of the \$9.75 Preferred Stock. Since such time, Maxus has entered into various agreements, most recently on June 8, 1995, with the sole holder of the \$9.75 Preferred Stock pursuant to which, among other things, Maxus has repurchased 500,000 shares and the parties have waived or amended various covenants, agreements and restrictions relating to such stock. At December 31, 1996, 625,000 shares of \$9.75 Preferred Stock were outstanding, each receiving an annual cash dividend of \$9.75. Pursuant to the terms of the \$9.75 Preferred Stock, on January 31, 1997, Maxus redeemed the remaining 625,000 shares for \$62.5 million.

##### \$4.00 Cumulative Convertible Preferred Stock

As part of Maxus' internal reorganization (See Note Three), on August 13, 1996, Maxus redeemed all of its outstanding shares of \$4.00 Preferred Stock at a price of \$50 per share plus accrued and unpaid dividends (approximately \$220.8 million in the aggregate). Prior to the redemption date, each outstanding share of \$4.00 Preferred Stock was convertible into shares of Maxus' Common Stock (2.29751 shares at the redemption date). The excess of the redemption price over the carrying value of the \$4.00 Preferred Stock resulted in an increase in the Company's accumulated deficit. YPF provided funding to Maxus to redeem the \$4.00 Preferred Stock.

#### \$2.50 Cumulative Preferred Stock

Each outstanding share of the \$2.50 Preferred Stock is entitled to receive annual cash dividends of \$2.50, is redeemable after December 1, 1998 and has a liquidation value of \$25.00 (\$87.5 million in the aggregate at December 31, 1996), plus accrued but unpaid dividends, if any.

The holders of the \$2.50 Preferred Stock are entitled to limited voting rights under certain conditions. In the event Maxus is in arrears in the payment of six quarterly dividends, the holders of the \$2.50 Preferred Stock have the right to elect two members to the Board of Directors until such time as the dividends in arrears are current and a provision is made for the current dividends due.

#### NOTE SIXTEEN--COMMON STOCK

<TABLE>  
<CAPTION>

	SHARES	AMOUNT
	-----	-----
<S>	<C>	<C>
April 1, 1995.....	135,897,899	\$135.9
Employee Savings Plan.....	18,182	
Cancellation of treasury shares.....	(306,307)	(.3)
Fractional shares exchanged for cash.....	(2)	
	-----	-----
December 31, 1995.....	135,609,772	\$135.6
Conversion of \$4.00 Preferred Stock.....	229	
Shares issued to parent.....	11,636,363	11.6
	-----	-----
December 31, 1996.....	147,246,364	\$147.2
	=====	=====

</TABLE>

Pursuant to the Offer in April 1995, YPF acquired 120,000,613 Shares at \$5.50 per Share representing 88.5% of the then-outstanding Shares of the Company. As a result of the Merger, each outstanding Share (other

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

than Shares held by YPF or any of their subsidiaries or in the treasury of the Company, all of which were cancelled in the second quarter of 1995, and Shares of holders who perfected their appraisal rights under Section 262 of the Delaware General Corporation Law) was converted into the right to receive \$5.50 per share, and, accordingly, the Company's Common Stock ceased to be publicly traded. (See Note Two).

During 1996, YPF contributed \$64 million of capital to the Company, for which YPF received an additional 11,636,363 shares of the Company's Common Stock at \$5.50 per share. The difference between the par value of the Common Stock and the amount of capital contributed was credited to Paid-in capital.

In 1992, Kidder, Peabody Group Inc. purchased eight million warrants from the Company. Each warrant represents the right to purchase one share of the Company's Common Stock at \$13.00 per share at any time prior to the expiration of the warrants on October 10, 1997.

The Company has an Employee Savings Plan ("ESP") which presently allows eligible participating employees to contribute a certain percentage of their salaries (1%-10%) to a trust for investment in any of ten funds. Prior to the Merger employees could invest in a fund consisting of the Company's Common Stock. However, the Maxus Energy Stock Fund was eliminated from the ESP effective April 19, 1995. The Company matches the participating employees contributions to the ESP (up to 6% of base pay). Such matching contribution is

charged against earnings. For the twelve months ended December 31, 1996 and the nine months ended December 31, 1995, the charge against earnings for the Company's contribution was \$1.9 million and \$1.7 million, respectively.

#### NOTE SEVENTEEN--PAID-IN CAPITAL AND ACCUMULATED DEFICIT

<TABLE>

<CAPTION>

	PAID-IN CAPITAL	ACCUMULATED DEFICIT
	-----	-----
<S>	<C>	<C>
April 1, 1995.....	\$118.2	
Net loss.....		\$ (73.7)
Dividends on Preferred Stock.....	(9.2)	
Cancellation of treasury shares.....	(3.2)	
Employee Shareholding and Investment Plan.....	.1	
Restricted stock.....	(.1)	
	-----	-----
January 1, 1996.....	105.8	(73.7)
Net income.....		15.0
Redemption of \$4.00 Preferred Stock.....		(213.6)
Dividends on Preferred Stock.....	(11.3)	
Transfer of investment in CLH (See Note Three).....	69.5	
Issuance of Common Stock to parent.....	52.4	
	-----	-----
December 31, 1996.....	\$216.4	\$ (272.3)
	=====	=====

</TABLE>

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

#### NOTE EIGHTEEN--UNREALIZED GAIN ON INVESTMENT IN MARKETABLE SECURITIES

At December 31, 1996 and December 31, 1995, securities categorized as held-to-maturity are included in cash equivalents and short- and long-term restricted cash.

The amortized cost and estimated fair value of marketable securities at December 31, 1996 and 1995 are as follows:

<TABLE>

<CAPTION>

	DECEMBER 31, 1996		
	AMORTIZED COST	GROSS UNREALIZED GAINS	MARKET VALUE
	-----	-----	-----
<S>	<C>	<C>	<C>
Held-to-maturity:			
Corporate and other debt securities.....	\$ 51.0	\$1.0	\$ 52.0
<CAPTION>			
	DECEMBER 31, 1995		
	AMORTIZED COST	GROSS UNREALIZED GAINS	MARKET VALUE
	-----	-----	-----
<S>	<C>	<C>	<C>
Held-to-maturity:			
Corporate and other debt securities.....	\$108.4	\$2.3	\$110.7

</TABLE>

#### NOTE NINETEEN--STOCK OPTIONS

In 1996, the Company established a Stock Appreciation Rights Plan (the "SAR Plan"). The SAR Plan permits the grant to officers and certain key employees of Stock Appreciation Rights ("SARs"), the value of which is based upon the price of American Depositary Receipts with respect to YPF's Class D shares ("ADRs"). The excess of the ADRs market price over the grant price results in a charge against the Company's earnings; a subsequent decline in market price results in a credit to earnings, but only to a maximum of the earnings charges



incurred in prior years on SARs. During 1996, the Company charged \$.1 million against earnings related to the SAR Plan.

#### NOTE TWENTY--LEASES

The Company leases certain machinery and equipment, facilities and office space under cancelable and noncancelable operating leases, most of which expire within 20 years and may be renewed.

Minimum annual rentals for non-cancelable operating leases at December 31, 1996, were as follows:

<TABLE>	
<S>	<C>
1997.....	\$ 28.0
1998.....	23.2
1999.....	18.4
2000.....	15.5
2001.....	15.3
December 31, 2002 and thereafter.....	60.2
	-----
	\$160.6

</TABLE>

Minimum annual rentals have not been reduced by minimum sublease rentals of \$34.0 million due in the future under noncancelable subleases.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Rental expense for operating leases was as follows:

<TABLE>	
<CAPTION>	
	TWELVE MONTHS ENDED DECEMBER 31, 1996
	NINE MONTHS ENDED DECEMBER 31, 1995
<S>	<C>
Total rentals.....	\$46.2
Less--Sublease rental income.....	2.9
	-----
Rental expense.....	\$43.3
	=====

</TABLE>

#### NOTE TWENTY-ONE--RELATED PARTY TRANSACTIONS

A director of the Company, who is also a member of the Audit Committee of the Board of Directors, is a partner in a law firm which provides legal services to the Company. Fees for such services amounted to \$1.4 million and \$3.2 million during 1996 and 1995, respectively. Additionally, at December 31, 1996 and 1995, the Company had \$182.2 million and \$6.6 million outstanding, respectively, in advances from its parent. During 1996, the Company sold electrical generators to YPF for \$5.4 million.

#### NOTE TWENTY-TWO--COMMITMENTS AND CONTINGENCIES

Federal, state and local laws and regulations relating to health and environmental quality in the United States, as well as environmental laws and regulations of other countries in which the Company operates, affect nearly all of the operations of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish in certain circumstances remedial obligations. In addition, especially stringent measures and special provisions may be appropriate or required in environmentally sensitive foreign areas of operation, such as those in Ecuador.

Many of the Company's United States operations are subject to requirements of the Safe Drinking Water Act, the Clean Water Act, the Clean Air Act (as amended in 1990), the Occupational Safety and Health Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), and other federal, as well as state, laws. Such laws address, among other things, limits on the discharge of wastes associated with oil and

gas operations, investigation and cleanup of hazardous substances, and workplace safety and health. In addition, these laws typically require compliance with associated regulations and permits and provide for the imposition of penalties for noncompliance. The Clean Air Act Amendments of 1990 may benefit the Company's business by increasing the demand for natural gas as a clean fuel. CERCLA imposes retroactive liability upon certain parties for the response costs associated with cleaning up old hazardous substance sites. CERCLA liability to the Government is joint and several. CERCLA allows authorized trustees to seek recovery of natural resource damages from potentially responsible parties. CERCLA also grants the Government the authority to require potentially responsible parties to implement interim remedies to abate an imminent and substantial endangerment to the environment.

The Company believes that its policies and procedures in the area of pollution control, product safety and occupational health are adequate to prevent unreasonable risk of environmental and other damage, and of resulting financial liability, in connection with its business. Some risk of environmental and other damage is, however, inherent in particular operations of the Company and, as discussed below, the Company has certain potential liabilities associated with former operations. The Company cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, as well as more vigorous

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

enforcement policies of the regulatory agencies, could in the future require material expenditures by the Company for the installation and operation of systems and equipment for remedial measures and in certain other respects. Such potential expenditures cannot be reasonably estimated.

In connection with the sale of the Company's former chemical subsidiary, Diamond Shamrock Chemicals Company ("Chemicals"), to Occidental Petroleum Corporation ("Occidental") in 1986, the Company agreed to indemnify Chemicals and Occidental from and against certain liabilities relating to the business or activities of Chemicals prior to the September 4, 1986 closing date (the "Closing Date"), including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date.

In addition, the Company agreed to indemnify Chemicals and Occidental for 50% of certain environmental costs incurred by Chemicals for which notice is given to the Company within 10 years after the Closing Date on projects involving remedial activities relating to chemical plant sites or other property used in the conduct of the business of Chemicals as of the Closing Date and for any period of time following the Closing Date, with the Company's aggregate exposure for this cost sharing being limited to \$75 million. The total expended by the Company under this cost sharing arrangement was about \$42 million as of December 31, 1996. OxyChem and Henkel, an assignee of certain of Occidental's rights and obligations, filed a declaratory judgment action in Texas state court with respect to the Company's agreement in this regard. The lower court found in favor of Occidental and Henkel and the Company has appealed the judgment (see "Legal Proceedings" below).

In connection with the spin-off of Diamond Shamrock R&M, Inc., now known as Ultramar Diamond Shamrock Corporation ("DSI"), in 1987, the Company and DSI agreed to share the costs of losses (other than product liability) relating to businesses disposed of prior to the spin-off, including Chemicals. Pursuant to this cost-sharing agreement, the Company bore the first \$75 million of such costs and DSI bore the next \$37.5 million. Thereafter, such ongoing costs were borne one-third by DSI and two-thirds by the Company until DSI had borne an additional \$47.5 million. As of December 31, 1996, DSI had fulfilled its remaining responsibility under the cost-sharing arrangement, and it has no further obligation thereunder.

During the twelve months ended December 31, 1996, the Company spent \$8 million in environmental related expenditures in its oil and gas operations. Expenditures for 1997 are expected to be approximately \$13 million.

For the seven months ended July 31, 1996, the Company's total expenditures for environmental compliance for disposed of businesses, including Chemicals, were approximately \$13 million, \$5 million of which was recovered from DSI under the above described cost-sharing arrangement.

At December 31, 1996, reserves for t environmental contingencies discussed herein totaled \$101.6 million. Management believes it has adequately reserved for all environmental contingencies which are probable and can be reasonably estimated; however, changes in circumstances could result in changes, including additions, to such reserves in the future.

The Company has transferred certain liabilities related to environmental matters to CLH (See Note Three) effective as of August 1, 1996. In connection with this transfer, CLH assumed (the "Assumption") the liabilities so transferred and YPF committed to contribute capital to CLH up to an amount of \$106.9 million that will enable CLH to satisfy its obligations under the Assumption based on the Company's reserves established in respect of the assumed liabilities as of July 31, 1996 plus certain operating expenses budgeted by CLH from time to time. YPF will not be obligated to contribute capital to CLH beyond the amount of its initial undertaking. The Company will remain responsible for any obligations assumed by CLH in the event CLH does not perform or fulfill such obligations. The environmental contingencies discussed herein and the declaratory judgment action filed by OxyChem and Henkel are among the matters for which CLH has assumed responsibility, and the

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Company transferred to CLH its then remaining rights to recover costs under the arrangement with DSI. The contribution obligation of YPF related to the Assumption was reflected on the Company's financial statements as a long-term and short-term funding guarantee from parent totaling \$106.9 million, an increase to deferred income taxes of \$37.4 million and an increase to paid-in capital of \$69.5 million. At December 31, 1996, the outstanding funding guarantee totaled \$102.6 million. Insofar as CLH has assumed the Company's environmental liabilities and YPF has committed to pay for the liabilities, such liabilities are not expected to have an adverse impact on the financial reporting books of the Company.

The insurance companies that wrote Chemicals' and the Company's primary and excess insurance during the relevant periods have to date refused to provide coverage for most of Chemicals' or the Company's cost of the personal injury and property damage claims related to environmental claims, including remedial activities at chemical plant sites and disposal sites. In two actions filed in New Jersey state court, the Company has been conducting litigation against all of these insurers for declaratory judgments that it is entitled to coverage for certain of these claims. In 1989, the trial judge in one of the New Jersey actions ruled that there is no insurance coverage with respect to the claims related to the Newark plant (discussed below). The trial court's decision was upheld on appeal and that action is now ended. The other suit, which is pending, covers disputes with respect to insurance coverage related to certain other environmental matters. The Company has entered into settlement agreements with certain of the insurers in this second suit, the terms of which are required to be held confidential. The Company also is engaged in settlement discussions with other defendant insurers; however, there can be no assurance that such discussions will result in settlements with such other insurers.

Newark, New Jersey. A consent decree, previously agreed upon by the U.S. Environmental Protection Agency (the "EPA"), the New Jersey Department of Environmental Protection and Energy (the "DEP") and Occidental, as successor to Chemicals, was entered in 1990 by the United States District Court of New Jersey and requires implementation of a remedial action plan at Chemicals' former Newark, New Jersey agricultural chemicals plant. Engineering for such plan, which will include an engineering estimate of the cost of construction, is progressing. Construction is expected to begin in late 1997 or in 1998, cost approximately \$23 million and take three to four years to complete. The work is being supervised and paid for by CLH, on behalf of the Company pursuant to the Assumption and under the Company's above described indemnification obligation to Occidental. The Company has reserved the estimated costs of performing the remedial action plan and required ongoing maintenance costs.

Studies have indicated that sediments of the Newark Bay watershed, including the Passaic River adjacent to the plant, are contaminated with hazardous chemicals from many sources. These studies suggest that the older and more contaminated sediments located adjacent to the Newark plant generally are buried under more recent sediment deposits. The Company, on behalf of Occidental, negotiated an agreement with the EPA under which CLH, on the Company's behalf, is conducting further testing and studies to characterize

contaminated sediment and biota in a .5 mile portion of the Passaic River near the plant site. The stability of the sediments in the entire six-mile portion of the Passaic River study area is also being examined as a part of CLH's studies. The Company currently expects the testing and studies to be completed in 1999 and cost from \$4 million to \$6 million after December 31, 1996. The Company has reserved for the amount of its estimate of the remaining costs to be incurred in performing these studies. The Company and later CLH have been conducting similar studies under their own auspices for several years. Until these studies are completed and evaluated, the Company cannot reasonably forecast what regulatory program, if any, will be proposed for the Passaic River or the Newark Bay watershed and therefore cannot estimate what additional costs, if any, will be required to be incurred. However, it is possible that additional work, including interim remedial measures, may be ordered with respect to the Passaic River.

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Hudson County, New Jersey. Until 1972, Chemicals operated a chromium ore processing plant at Kearny, New Jersey. According to the DEP, wastes from these ore processing operations were used as fill material at a number of sites in and near Hudson County.

As a result of negotiations between the Company (on behalf of Occidental) and the DEP, Occidental signed an administrative consent order with the DEP in 1990 for investigation and remediation work at certain chromite ore residue sites in Kearny and Secaucus, New Jersey. The work is presently being performed by CLH on behalf of the Company and Occidental, and CLH is funding Occidental's share of the cost of investigation and remediation of these sites. The Company is currently providing financial assurance for performance of the work in the form of a self-guarantee in the amount of \$20 million subject to the Company's continuing ability to satisfy certain financial tests specified by the State. This financial assurance may be reduced with the approval of the DEP following any annual cost review. While the Company and CLH have participated in the cost of studies and CLH is implementing interim remedial actions and conducting remedial investigations and feasibility studies, the ultimate cost of remediation is uncertain. The Company anticipates CLH will submit its remedial investigation and feasibility study report to the DEP in 1997. The results of the DEP's review of this report could increase the cost of any further remediation that may be required. The Company has reserved its best estimate of the remaining cost to perform the investigations and remedial work as being approximately \$47 million at December 31, 1996. In addition, the DEP has indicated that it expects Occidental and the Company to participate with the other chromium manufacturers in the funding of certain remedial activities with respect to a number of so-called "orphan" chrome sites located in Hudson County, New Jersey. Occidental and the Company have declined participation as to those sites for which there is no evidence of the presence of residue generated by Chemicals. The Governor of New Jersey issued an Executive Order requiring state agencies to provide specific justification for any state requirements more stringent than federal requirements. The DEP has indicated that it may be revising its soil action level upwards towards the higher soil screening levels proposed by the EPA in 1994.

Painesville, Ohio. From about 1912 through 1976, Chemicals operated manufacturing facilities in Painesville, Ohio. The operations over the years involved several discrete but contiguous plant sites over an area of about 1,300 acres. The primary area of concern historically has been Chemicals' former chromite ore processing plant (the "Chrome Plant"). For many years, the site of the Chrome Plant has been under the administrative control of the EPA pursuant to an administrative consent order under which Chemicals is required to maintain a clay cap over the site and to conduct certain ground water and surface water monitoring. Many other sites have previously been clay-capped and one specific site, which was a waste disposal site from the mid-1960s until the 1970s, has been encapsulated and is being controlled and monitored. In 1995, the Ohio Environmental Protection Agency (the "OEPA") issued its Directors' Final Findings and Order (the "Director's Order") by consent ordering that a remedial investigation and feasibility study (the "RIFS") be conducted at the former Painesville plant area. The Company has agreed to participate in the RIFS as required by the Director's Order. It is estimated that the total cost of performing the RIFS will be \$5 million to \$8 million over the next three years. In spite of the many remedial, maintenance and monitoring activities performed, the former Painesville plant site has been proposed for listing on the National Priority List under CERCLA; however, the

EPA has stated that the site will not be listed so long as it is satisfactorily addressed pursuant to the Director's Order and OEPA's programs. The Company has reserved for the amount of its estimate of its share of the cost to perform the RIFS. The scope and nature of any further investigation or remediation that may be required cannot be determined at this time; however, as the RIFS progresses, the Company will continuously assess the condition of the Painesville plant site and make any changes, including additions, to its reserve as may be required. The Company's obligations regarding the Chrome Plant described above have been assumed by CLH pursuant to the Assumption.

Other Former Plant Sites. Environmental remediation programs are in place at all other former plant sites where material remediation is required in the opinion of the Company. Former plant sites where remediation has

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

been completed are being maintained and monitored to insure continued compliance with applicable laws and regulatory programs. The Company has reserved for its estimated costs related to these sites, none of which is individually material.

Third Party Sites. Chemicals has also been designated as a potentially responsible party ("PRP") by the EPA under CERCLA with respect to a number of third party sites, primarily off of Chemicals' properties, where hazardous substances from Chemicals' plant operations allegedly were disposed of or have come to be located. Numerous PRPs have been named at substantially all of these sites. At several of these, Chemicals has no known exposure. Although PRPs are almost always jointly and severally liable for the cost of investigations, cleanups and other response costs, each has the right of contribution from other PRPs and, as a practical matter, cost sharing by PRPs is usually effected by agreement among them. Accordingly, the ultimate cost of these sites and Chemicals' share of the costs thereof cannot be estimated at this time, but are not expected to be material except possibly as a result of the matters described below. The matters described below are among those for which CLH has assumed responsibility under the Assumption.

1. Fields Brook; Ashtabula, Ohio. At the time that Chemicals was sold to Occidental, Chemicals operated a chemical plant at Ashtabula, Ohio which is adjacent to Fields Brook. Occidental has continued to operate the Ashtabula plant. In 1986, Chemicals was formally notified by the EPA that it was a PRP for the Fields Brook site. The site is defined as Fields Brook, its tributaries and surrounding areas within the Fields Brook watershed. At least 15 other parties are presently considered to be financially responsible PRPs. In 1986, the EPA estimated the cost of sediment remediation at the site would be \$48 million. The PRPs, including Occidental, have developed an allocation agreement for sharing the costs of the work in Fields Brook ordered by the EPA. Under the allocation, the Occidental share for Chemicals' ownership of the Ashtabula plant would be about five percent of the total, assuming all viable PRPs were to participate.

In 1990, the OEPA, as state trustee for natural resources under CERCLA, advised previously identified PRPs, including Chemicals, that the OEPA intended to conduct a Natural Resource Damage Assessment of the Fields Brook site to calculate a monetary value for injury to surface water, groundwater, air and biological and geological resources at the site. Also, although Fields Brook empties into the Ashtabula River which flows into Lake Erie, it is not known to what extent, if any, the EPA will propose remedial action beyond Fields Brook for which the Fields Brook PRPs might be asked to bear some share of the costs. Until all preliminary studies and necessary governmental actions have been completed and negotiated or judicial allocations have been made, it is not possible for the Company to estimate what the response costs, response activities or natural resource damages, if any, may be for Fields Brook or related areas, the parties responsible therefore or their respective shares.

It is the Company's position that costs attributable to the Ashtabula plant fall under the Company's above-described cost sharing arrangement with Occidental under which the Company bears one-half of certain costs up to an aggregate dollar cap. Occidental, however, has contended that it is entitled to full indemnification from the Company for such costs, and the outcome of this dispute cannot be predicted. The Company has reserved its estimate of its share of potential cleanup costs based on the assumption that this site falls under the Occidental cost sharing arrangement.

2. SCP/Carlstadt Site; Carlstadt, New Jersey. Chemicals' share of

remediation costs at this CERCLA site would be approximately one percent, based on relative volume of waste shipped to the site. An interim remedy has now been implemented at the site by the PRPs but no estimate can be made at this time of ultimate costs of remediation which may extend to certain off-site locations.

3. Chemical Control Site; Elizabeth, New Jersey. The PRPs and the EPA have settled the federal claims for cost recovery and site remediation, and remediation is now complete. The DEP has demanded of PRPs

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

(including Chemicals) reimbursement of the DEP's alleged \$34 million (including interest through December 31, 1995) in past costs for its partial cleanup of this site. Based on the previous allocation formula, it is expected that Chemicals' share of any money paid to the DEP for its claim would be approximately two percent. The Company has fully reserved its estimated liability for this site.

**Legal Proceedings.** In 1995, OxyChem filed suit in Texas state court seeking a declaration of certain of the parties' rights and obligations under the sales agreement pursuant to which the Company sold Chemicals to Occidental. Henkel joined in said lawsuit as a plaintiff in January 1996. Specifically, OxyChem and Henkel are seeking a declaration that the Company is required to indemnify them for 50% of certain environmental costs incurred on projects involving remedial activities relating to chemical plant sites or other property used in connection with the business of Chemicals on the Closing Date which relate to, result from or arise out of conditions, events or circumstances discovered by OxyChem or Henkel and as to which the Company is provided written notice by OxyChem or Henkel prior to the expiration of ten years following the Closing Date, irrespective of when OxyChem or Henkel incurs and gives notice of such costs, subject to an aggregate \$75 million cap. The court denied the Company's motion for summary judgment and granted OxyChem's and Henkel's joint motion for summary judgment, thereby granting OxyChem and Henkel the declaration they sought. The Company believes the court's orders are erroneous and has appealed.

The Company has established reserves based on its 50% share of remaining costs expected to be paid or incurred by OxyChem and Henkel prior to September 4, 1996, the tenth anniversary of the Closing Date. As of December 31, 1996, the Company and CLH on its behalf had paid OxyChem and Henkel a total of approximately \$42 million against the \$75 million cap and, based on OxyChem's and Henkel's historical annual expenditures, the Company had approximately \$4 million reserved. The Company cannot predict with any certainty what portion of the approximately \$29 million unreserved portion of the \$33 million amount remaining at December 31, 1996, OxyChem and Henkel may incur; however, OxyChem and Henkel have asserted in court that the entire amount will be spent. In the event that the Company does not prevail in its appeal, it could be required to pay up to approximately \$29 million in additional costs which have not been reserved related to this indemnification. CLH has assumed, pursuant to the Assumption, responsibility for this litigation.

The Company has established reserves for legal contingencies in situations where a loss is probable and can be reasonably estimated.

On August 10, 1996, a new Government was inaugurated in Ecuador and on August 20, 1996, the new Energy Minister announced his intention to cancel the Company's risk service contract unless the Company and the other members of its consortium for the Block 16 project ("Block 16") agreed to convert such contract into a production sharing contract. Effective January 1, 1997, the Company and the Government entered into a new contract governing Block 16. The principal difference between the two contracts is the manner in which the consortium's costs in the Block are recovered. Under the former contract, the Company had the right to recover its investment before the Government began to share in significant proceeds from the sale of production; under the new contract, the Government receives a royalty, and the Company's recovery of its investment is out of the proceeds after deducting such royalty. Previous Governments had signaled their dissatisfaction with the former arrangement and in recent years a series of auditing, contract administration and certification of new field disputes had arisen that made it increasingly difficult to develop Block 16. Partly in response to these difficulties, the Company reduced its 1996 program spending on Block 16 to \$17 million from \$32 million in 1995.

The new contract also resolves certain outstanding disputes and amends the prior agreement in various other ways, some of which are expected to significantly improve the Company's current and future operating costs. The Company believes that the new contract permits the Company to go forward with the development of Block 16 and permits it to do so on a more cost-effective basis, subject to the eventual permanent increase of

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

pipeline capacity discussed below. Based on the terms of the newly approved contract and events which have transpired since such approval, no write down of carrying value of the Block is required. During 1996, pipeline capacity available to the Company was sufficient to transport only about 60 to 80% of the oil which the Company produced daily in Ecuador. Due to the decreased usage by PetroEcuador, however, pipeline capacity has presently been available to transport close to 100% of the oil which the Company produces daily. It is not known whether this availability is temporary and, if permanent, whether it will be adequate to accommodate expected increased production in mid-1997. Additionally, the Ecuadorian Government has announced its intention to solicit bids in early 1997 for the construction of a new pipeline system and expects completion of the pipeline within 18 to 24 months from the date of execution of a contract. It is unknown what impact, if any, a recent change in the country's political leadership will have on these plans to solicit such bids.

The Company has entered into various operating agreements and capital commitments associated with the exploration and development of its oil and gas properties. Such contractual, financial and/or performance commitments are not material.

The Company's foreign petroleum exploration, development and production activities are subject to political and economic uncertainties, expropriation of property and cancellation or modification of contract rights, foreign exchange restrictions and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted, as well as risks of loss in some countries due to changes in governments, civil strife, acts of war, guerrilla activities and insurrection. Areas in which the Company has significant operations include the United States, Indonesia and Ecuador.

## NOTE TWENTY-THREE--SUBSEQUENT EVENTS

Midgard has signed a letter of intent with Amoco Production Company ("Amoco") concerning the establishment of a partnership with regard to Midgard's business and assets. It is anticipated that Midgard and Amoco will each contribute to the partnership oil and gas properties in the Texas Panhandle and western Oklahoma and that Amoco will contribute certain other assets. Midgard and Amoco have commenced negotiations of definitive agreements covering the partnership. However, no definitive agreements have been entered into, and consequently no assurances can be given that the attempts to establish the partnership will be successful.

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FINANCIAL SUPPLEMENTARY INFORMATION  
(UNAUDITED)

(Data is for the twelve months ended December 31, 1996 and the nine months ended December 31, 1995. The dollar amounts in tables are in millions, except per share)

## Oil and Gas Producing Activities

The following are disclosures about the oil and gas producing activities of the Company as required by Statement of Financial Accounting Standards No. 69 ("SFAS 69").

## RESULTS OF OPERATIONS

Results of operations for the twelve months ended December 31, 1996 and the nine months ended December 31, 1995 from all oil and gas producing activities are shown below. These results exclude revenues and expenses related to the purchase of natural gas and the subsequent processing and resale of such natural gas plus the sale of natural gas liquids extracted therefrom.

<TABLE>  
<CAPTION>

TWELVE MONTHS ENDED DECEMBER 31, 1996

	UNITED STATES	INDONESIA	SOUTH AMERICA	OTHER FOREIGN	WORLDWIDE
<S>	<C>	<C>	<C>	<C>	<C>
Sales.....	\$131.6	\$403.9	\$81.3	-----	\$616.8
Production costs.....	32.2	147.0	20.6		199.8
Exploration costs.....	8.8	14.6	4.0	\$ 7.7	35.1
Depreciation, depletion and amortization.....	51.5	87.0	25.8	.2	164.5
Loss on sale of assets..	.2		1.5		1.7
Other.....	13.3(a)	(2.4)	(.1)	(.1)	10.7
	-----	-----	-----	-----	-----
	106.0	246.2	51.8	7.8	411.8
	-----	-----	-----	-----	-----
Income (loss) before tax provision.....	25.6	157.7	29.5	(7.8)	205.0
Provision (benefit) for income taxes.....	.5	89.9	12.3	(.2)	102.5
	-----	-----	-----	-----	-----
Results of operations...	\$ 25.1	\$ 67.8	\$17.2	\$ (7.6)	\$102.5
	=====	=====	=====	=====	=====

</TABLE>

<TABLE>  
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NINE MONTHS ENDED DECEMBER 31, 1995

	UNITED STATES	INDONESIA	SOUTH AMERICA	OTHER FOREIGN	WORLDWIDE
<S>	<C>	<C>	<C>	<C>	<C>
Sales.....	\$ 75.4	\$298.3	\$ 36.5	-----	\$410.2
Production costs.....	21.2	114.5	21.5		157.2
Exploration costs.....	10.8	18.0	6.9	\$ 15.5	51.2
Depreciation, depletion and amortization.....	48.8	67.7	20.8	.2	137.5
Gain on sale of assets..	(.1)				(.1)
Other.....	8.5(a)	9.4	(1.2)	(.1)	16.6
	-----	-----	-----	-----	-----
	89.2	209.6	48.0	15.6	362.4
	-----	-----	-----	-----	-----
Income (loss) before tax provision.....	(13.8)	88.7	(11.5)	(15.6)	47.8
Provision (benefit) for income taxes.....		43.5	(12.7)		30.8
	-----	-----	-----	-----	-----
Results of operations...	\$ (13.8)	\$ 45.2	\$ 1.2	\$ (15.6)	\$ 17.0
	=====	=====	=====	=====	=====

</TABLE>

(a) Includes United States gathering and processing costs related to sales. Such costs were \$13.8 million for the twelve months ended December 31, 1996 and \$9.1 million for the nine months ended December 31, 1995.

CAPITALIZED COSTS

Included in properties and equipment are capitalized amounts applicable to the Company's oil and gas producing activities. Such capitalized amounts include the cost of mineral interests in properties, completed and

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incomplete wells and related support equipment. In addition, the Company's gas plants that process not only the Company's gas but also third party gas, has been included in capitalized costs. Approximately 56% of the volumes processed through the Company's gas plants is the Company's gas. Only the revenue and cost related to the Company's produced gas is included in results of operations and costs incurred. Capitalized costs at December 31, 1996 and 1995 were:

<TABLE>  
<CAPTION>

UNITED STATES	INDONESIA
-----	-----



	1996	1995	1996	1995
	<C>	<C>	<C>	<C>
<S>				
Proved properties:				
Wells and related equipment and facilities...	\$591.9	\$501.6	\$ 761.7	\$ 704.0
Support equipment and facilities.....	176.5	128.7		
Uncompleted well, equipment and facilities...	17.9	11.0	17.2	18.6
Unproved properties.....	4.1	79.9	445.1	435.3
	790.4	721.2	1,224.0	1,157.9
Less--Accumulated depreciation, depletion and amortization.....				
	104.4	50.4	154.7	67.7
	\$686.0	\$670.8	\$1,069.3	\$1,090.2
	=====	=====	=====	=====

&lt;/TABLE&gt;

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	SOUTH AMERICA		OTHER FOREIGN		WORLDWIDE	
	1996	1995	1996	1995	1996	1995
	<C>	<C>	<C>	<C>	<C>	<C>
<S>						
Proved properties:						
Wells and related equipment and facilities.....	\$264.5	\$307.0			\$1,618.1	\$1,512.6
Support equipment and facilities.....					176.5	128.7
Uncompleted well, equipment and facilities.....	33.0	50.5			68.1	80.1
Unproved properties.....		252.3	\$ 4.2	\$ 1.3	453.4	768.8
	297.5	609.8	4.2	1.3	2,316.1	2,490.2
Less--Accumulated depreciation, depletion and amortization.....						
	38.7	20.9	.4	.2	298.2	139.2
	\$258.8	\$588.9	\$ 3.8	\$ 1.1	\$2,017.9	\$2,351.0
	=====	=====	=====	=====	=====	=====

&lt;/TABLE&gt;

## COSTS INCURRED

Costs incurred by the Company in its oil and gas producing activities for the twelve months ended December 31, 1996 and the nine months ended December 31, 1995 (whether capitalized or charged against earnings) were as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	UNITED STATES		INDONESIA	
	1996	1995	1996	1995
	<C>	<C>	<C>	<C>
<S>				
Property acquisition costs.....	\$ 3.2	\$ 2.1		
Exploration costs.....	9.9	10.1	\$14.9	\$19.8
Development costs.....	55.1	37.5	67.3	44.2
	\$ 68.2	\$ 49.7	\$82.2	\$64.0
	=====	=====	=====	=====

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	SOUTH AMERICA		OTHER FOREIGN		WORLDWIDE	
	1996	1995	1996	1995	1996	1995
	<C>	<C>	<C>	<C>	<C>	<C>
<S>						
Property acquisition costs.....	\$ 27.3				\$ 30.5	\$ 2.1
Exploration costs.....	11.2	7.6	\$ 10.3	\$ 15.7	46.3	53.2
Development costs.....	19.2	28.2	.6	.3	142.2	110.2
	\$ 57.7	\$ 35.8	\$ 10.9	\$ 16.0	\$219.0	\$165.5
	=====	=====	=====	=====	=====	=====

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## OIL AND GAS RESERVES

The following table represents the Company's net interest in estimated quantities of developed and undeveloped reserves of crude oil, condensate, natural gas liquids and natural gas and changes in such quantities for the twelve months ended December 31, 1996 and for the nine months ended December 31, 1995. Net proved reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are proved reserve volumes that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are proved reserve volumes that are expected to be recovered from new wells on undrilled acreage or from existing wells where a significant expenditure is required for recompletion.

Estimates of reserves for December 31, 1996 and 1995 were prepared by Gaffney, Cline & Associates, petroleum engineers, using standard geological and engineering methods generally accepted by the petroleum industry and in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). The choice of method or combination of methods employed in the analysis of each reservoir was determined by experience in the area, stage of development, quality and completeness of basic data, and production history. There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures, including many factors beyond the control of the producer. Reserve engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates of different engineers often vary. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revision of such estimate. Accordingly, reserve estimates are often different from the quantities of crude oil and natural gas that are ultimately recovered. The meaningfulness of such estimates is highly dependent upon the accuracy of the assumption upon which they were based. The reserve estimates were subjected to economic tests to determine economic limits. The estimates may change as a result of numerous factors including, but not limited to, additional development activity, evolving production history, and continued reassessment of the viability of production under varying economic conditions.

<TABLE>  
<CAPTION>

CRUDE OIL	DECEMBER 31, 1996				DECEMBER 31, 1995			
	UNITED STATES	INDONESIA	SOUTH AMERICA	TOTAL	UNITED STATES	INDONESIA	SOUTH AMERICA	TOTAL
	(MILLIONS OF BARRELS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Proved Developed and Undeveloped Reserves								
Beginning of period, April 1, 1995 or January 1, 1996.....	4.1	144.1	61.1	209.3	3.7	154.1	66.3	224.1
Revisions of previous estimates.....	.6	(15.6) (a)	5.4	(9.6)	.2	(2.6) (a)	(4.5)	(6.9)
Purchase of reserves in place.....								
Extensions, discoveries and other additions.....	1.0	8.4 (a)	12.0	21.4	.5	7.1 (a)	2.7	10.3
Production.....	(.5)	(15.9)	(4.4) (c)	(20.8)	(.3)	(14.5)	(3.4) (c)	(18.2)
Sales of reserves in place.....			(12.1)	(12.1)				
End of period.....	5.2	121.0	62.0	188.2	4.1	144.1	61.1	209.3
Net Proved Developed Reserves								
Beginning of period.....	3.6	128.1	32.8	164.5	2.8	136.8	14.0	153.6
End of period.....	4.9	99.1	25.1	129.1	3.6	128.1	32.8	164.5
	===	=====	=====	=====	===	=====	=====	=====

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under which all hydrocarbons are owned by the Venezuelan Government, however, the Company receives payment for production and development services performed based on production. During 1996, the Company sold Maxus Venezuela to YPF.

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## FUTURE NET CASH FLOWS

The standardized measure of discounted future net cash flows relating to the Company's proved oil and gas reserves as of December 31, 1996 and 1995 is calculated and presented in accordance with Statement of Financial Accounting Standards No. 69. Accordingly, future cash inflows were determined by applying year-end oil and gas prices (adjusted for future fixed and determinable price changes) to the Company's estimated share of future production from proved oil and gas reserves. Future income taxes were derived by applying year-end statutory tax rates to the estimated net future cash flows. A prescribed 10% discount factor was applied to the future net cash flows.

In the Company's opinion, this standardized measure is not a representative measure of fair market value, and the standardized measure presented for the Company's proved oil and gas reserves is not representative of the reserve value. The standardized measure is intended only to assist financial statement users in making comparisons between companies.

&lt;TABLE&gt;

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	UNITED STATES		INDONESIA		SOUTH AMERICA		WORLDWIDE	
	1996	1995	1996	1995	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Future cash flows.....	\$ 2,826.9	\$ 1,161.0	\$ 3,604.6	\$ 3,461.9	\$ 1,030.3	\$ 822.5	\$ 7,461.8	\$ 5,445.4
Future production costs.....	(543.2)	(331.2)	(1,843.0)	(2,004.7)	(317.4)	(221.3)	(2,703.6)	(2,557.2)
Future development costs.....	(77.0)	(70.6)	(293.2)	(288.2)	(104.2)	(122.3)	(474.4)	(481.1)
Future net cash flows, before income taxes....	2,206.7	759.2	1,468.4	1,169.0	608.7	478.9	4,283.8	2,407.1
Discount for estimated timing of future cash flows.....	(1,101.9)	(342.9)	(578.7)	(459.4)	(246.6)	(200.0)	(1,927.2)	(1,002.3)
Present value of future net cash flows, before income taxes.....	1,104.8	416.3	889.7	709.6	362.1	278.9	2,356.6	1,404.8
Future income taxes, discounted at 10%(a)...	(172.0)	(67.8)	(388.9)	(321.7)	(99.6)	(34.3)	(660.5)	(423.8)
Standardized measure of discounted future net cash flows.....	\$ 932.8	\$ 348.5	\$ 500.8	\$ 387.9	\$ 262.5	\$ 244.6	\$ 1,696.1	\$ 981.0

&lt;/TABLE&gt;

(a) Future income taxes undiscounted are \$491.6 for the United States, \$618.4 for Indonesia and \$168.3 for South America at December 31, 1996 and \$161.6 for the United States, \$508.2 for Indonesia and \$57.1 for South America at December 31, 1995.

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The following are the principal sources for change in the standardized measure:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	1996	1995 (A)
<S>	<C>	<C>
January 1.....	\$ 981.0	\$ 929.8
Sales and transfers of oil and gas produced, net of production costs.....	(417.0)	(322.7)
Net changes in prices and production costs, net of future production and development costs.....	994.6	99.6
Extensions, discoveries and improved recovery, less		

related costs.....	264.3	79.5
Development costs incurred during the year that reduced future development costs.....	142.2	140.6
Revisions of previous quantity estimates.....	108.5	51.5
Purchase of reserves in place.....	.1	16.3
Sale of reserves in place.....	(65.6)	(.1)
Net change in income taxes.....	(236.7)	(42.8)
Accretion of discount.....	136.5	131.1
Changes in production rates (timing) and other.....	(211.8)	(101.8)
December 31.....	\$1,696.1	\$ 981.0
	=====	=====

&lt;/TABLE&gt;

(a) The principle sources for change in the standardized measure are presented for the year-ended December 31, 1995, rather than the nine months period ended December 31, 1995, as reserve reports from which this information is derived are only prepared on an annual basis.

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&lt;PAGE&gt;

## Quarterly Data

&lt;TABLE&gt;

&lt;CAPTION&gt;

	1996				
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,	FOR THE YEAR
<S>	<C>	<C>	<C>	<C>	<C>
Sales and operating revenues.....	\$174.0	\$172.1	\$174.4	\$197.5	\$718.0
Gross profit (a).....	64.5	58.6	59.1	91.0	273.2
Net income (loss) before extraordinary item	(0.5)	(2.7)	11.3	12.5	20.6
Extraordinary item (b).. Net income (loss).....	(0.5)	(2.7)	11.3	(5.6) 6.9	(5.6) 15.0
Market price per share:					
\$4.00 Preferred(c)					
High.....	46	50	50 3/4		
Low.....	42	41 1/4	49 3/4		
\$2.50 Preferred					
High.....	26 1/2	26	26 11/32	26 1/2	26 1/2
Low.....	25 1/8	25	25 1/4	25 3/4	25

&lt;CAPTION&gt;

	1995				
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,	NINE MONTHS ENDED DECEMBER 31,
<S>	<C>	<C>	<C>	<C>	<C>
Sales and operating revenues.....	\$142.5	\$150.7	\$141.8	\$171.3	\$463.8
Gross profit (a).....	35.2	34.3	24.5	48.0	106.8
Net loss.....	(56.9)	(23.0)	(28.1)	(22.6)	(73.7)
Per Common Share					
Net loss.....	(.49)				
Market price per share:					
Common					
High.....	5 29/32	5 1/2			
Low.....	3	5 3/8			
\$4.00 Preferred					
High.....	38 1/4	41	40 1/2	44 3/4	44 3/4
Low.....	30	32 1/2	38	38	32 1/2
\$2.50 Preferred					
High.....	21 3/4	24 1/4	25 5/8	26 1/8	26 1/8
Low.....	17 45/64	19 1/8	23 5/8	17 5/8	17 5/8

&lt;/TABLE&gt;

- (a) Gross profit is sales and operating revenues less purchases and operating expenses, gas purchase costs and depreciation, depletion and amortization.
- (b) In December 1996, the Company repaid the \$175.0 million Indonesian Facility due 1997-2002. Unamortized issuance costs associated with this early retirement were recorded as an extraordinary loss of \$5.6 million. The tax impact of this transaction was less than \$.1 million.
- (c) As part of the Company's reorganization, the Company redeemed on August

13, 1996, all of its outstanding shares of \$4.00 Preferred Stock.

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EXHIBIT 3(i)

RESTATED  
CERTIFICATE OF INCORPORATION

OF

MAXUS ENERGY CORPORATION

(ORIGINALLY INCORPORATED UNDER THE NAME OF  
NEW DIAMOND CORPORATION ON JULY 19, 1983)

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FIRST. The name of the Corporation (the "Corporation") is Maxus Energy Corporation.

SECOND. The registered office of the Corporation in the State of Delaware is located at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

THIRD. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH. The Corporation is authorized to issue two classes of capital stock, designated Common Stock and Preferred Stock. The amount of total authorized capital stock of the Corporation is 400,000,000 shares, divided into 300,000,000 shares of Common Stock, \$1.00 par value, and 100,000,000 shares of Preferred Stock, \$1.00 par value.

The Preferred Stock may be issued in one or more series. The Board of Directors is hereby authorized to issue the shares of Preferred Stock in such series and to fix from time to time before issuance the number of shares to be included in any series and the designation, relative powers, preferences and rights and qualifications, limitations or restrictions of all shares of such series. The authority of the Board of Directors with respect to each series shall include, without limiting the generality of the foregoing, the determination of any or all of the following:

(a) the number of shares of any series and the designation to distinguish the shares of such series from the shares of all other series;

(b) the voting powers, if any, and whether such voting powers are full or limited, in such series;

(c) the redemption provisions, if any, applicable to such series, including the redemption price or prices to be paid;

(d) whether dividends, if any, shall be cumulative or noncumulative, the dividend rate of such series, and the dates and preferences of dividends on such series;

(e) the rights of such series upon the voluntary or involuntary dissolution of, or upon any distribution of the assets of, the Corporation;

<PAGE>

(f) the provisions, if any, pursuant to which the shares of such series are convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock, or any other security, of the Corporation or any other corporation, and price or prices or the rates of exchange applicable thereto;

(g) the right, if any, to subscribe for or to purchase any securities of the Corporation or any other corporation;

(h) the provisions, if any, of a sinking fund applicable to such series; and

(i) any other relative, participating, optional or other special powers, preferences, rights, qualifications, limitations or restrictions thereof;

all as shall be determined from time to time by the Board of Directors and shall be stated in said resolution or resolutions providing for the issuance of such Preferred Stock (a "Preferred Stock Designation").

#### \$2.50 Cumulative Preferred Stock

The following is a statement of the powers, preferences, rights, qualifications, limitations and restrictions of the Series, consisting of 5,000,000 shares, \$1.00 par value, of the \$2.50 Cumulative Preferred Stock.

SECTION 1. Designation and Amount. The shares of this Series shall be designated as the "\$2.50 Cumulative Preferred Stock" and the number of shares constituting this Series shall be 5,000,000, which number, subject to the provisions of the Certificate of Incorporation, may be increased or decreased by the Board of Directors without a vote of stockholders; provided, however, that

such number may not be decreased below the number of the then currently outstanding shares of this Series.

SECTION 2. Dividends. The holders of shares of this Series, in preference to the holders of shares of the Common Stock of the Corporation and of any other capital stock of the Corporation ranking junior to this Series as to payment of dividends, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, cumulative cash dividends at the annual rate of \$2.50 per share, and no more, in equal quarterly payments on the fifteenth day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing March 15, 1994. Dividends shall begin to accrue and be cumulative from the date of original issue of this Series. The amount of dividends so payable shall be determined on the basis of twelve 30-day months and a 360-day year. Accumulated but unpaid dividends shall not bear interest. Dividends paid on the shares of this Series in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of this Series entitled to receive payment of a dividend declared thereon, which record date shall be no more than sixty days prior to the date fixed for the payment thereof.

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SECTION 3. Redemption. The shares of this Series shall not be redeemable prior to December 1, 1998. On or after that date, the Corporation shall have the right, at its sole option and election, to redeem the whole or any part of the then-outstanding shares of this Series, at any time or from time to time, upon notice duly given as hereinafter specified, at a price per share of \$25.00, plus dividends accumulated but unpaid to the redemption date; provided that unless provision has been made for payment in full of dividends on all shares of outstanding Preferred Stock of the Corporation for all past dividend periods and the current period, no sum shall be set aside for the redemption of any shares of this Series nor shall any shares of this Series be purchased or otherwise acquired by the Corporation.

Notice of every such redemption of shares of this Series shall be given by publication at least once a week in each of two successive weeks in a newspaper printed in the English language and customarily published on each business day and of general circulation in the city in which the Corporation maintains its principal executive offices and in the Borough of Manhattan, The City of New York, commencing at least 30 but not more than 60 days prior to the date fixed for such redemption. Notice of every such redemption shall also be mailed at least 30 but not more than 60 days prior to the date fixed for such redemption to the holders of record of the shares so to be redeemed at their respective addresses as the same shall appear on the books of the Corporation, but no failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares so to be redeemed. In case of redemption of a part only of this Series at the time outstanding, the redemption may be either pro rata or by lot. The Board of Directors shall prescribe the manner in which the drawings by lot or the pro

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&lt;PAGE&gt;

&lt;TABLE&gt;

&lt;CAPTION&gt;

NATURAL GAS (B)	DECEMBER 31, 1996			DECEMBER 31, 1995		
	UNITED	INDONESIA	TOTAL	UNITED	INDONESIA	TOTAL
	STATES			STATES		
	(BILLIONS OF CUBIC FEET)					
	<C>	<C>	<C>	<C>	<C>	<C>
Net Proved Developed and Undeveloped Reserves						
Beginning of period, April 1, 1995 or January 1, 1996.....	570	313	883	505	300	805
Revisions of previous estimates.....	83	15	98	7	18	25
Purchase of reserves in place.....	2		2			
Extensions, discoveries and other additions.....	91	12	103	94	14	108
Production.....	(53)	(30)	(83)	(36)	(19)	(55)
Sales of reserves in place	---	---	---	---	---	---
End of period.....	693	310	1,003	570	313	883
Net Proved Developed Reserves						
Beginning of period.....	449	138	587	373	103	476
End of period.....	573	136	709	449	138	587
	===	===	=====	===	===	===

&lt;/TABLE&gt;

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&lt;CAPTION&gt;

NATURAL GAS LIQUIDS	DECEMBER 31, 1996			DECEMBER 31, 1995		
	UNITED	INDONESIA	TOTAL	UNITED	INDONESIA	TOTAL
	STATES			STATES		
	(MILLIONS OF BARRELS)					
	<C>	<C>	<C>	<C>	<C>	<C>
Net Proved Developed and Undeveloped Reserves						
Beginning of period, April 1, 1995 or January 1, 1996.....	42.6	9.0	51.6	36.1	9.3	45.4
Revisions of previous estimates.....	8.6	(.1)	8.5	1.5	.1	1.6
Purchase of reserves in place..						
Extensions, discoveries and other additions.....	6.0	.1	6.1	7.4		7.4
Production.....	(3.1)	(.9)	(4.0)	(2.4)	(.4)	(2.8)
End of period.....	54.1	8.1	62.2	42.6	9.0	51.6
Net Proved Developed Reserves						
Beginning of period.....	33.4	4.3	37.7	28.9	3.1	32.0
End of period.....	44.5	3.5	48.0	33.4	4.3	37.7
	=====	===	=====	=====	===	=====

&lt;/TABLE&gt;

- (a) The changes reflect the impact of the change in the price of crude oil on the barrels to which the Company is entitled under the terms of the Indonesian production sharing contracts. The Indonesian production sharing contracts allow the Company to recover tangible production and exploration costs, as well as operating costs. As the price of crude oil fluctuates, the Company is entitled to more or less barrels of cost recovery oil. Increasing prices resulted in a decrease of 15.9 million barrels in 1996 and 9.9 million barrels in 1995.
- (b) Natural gas liquids reserve volumes are presented separately for information purposes only. Natural gas liquids are extracted from the Company's natural gas volumes and are recoverable at natural gas processing plants downstream from the lease or field separation facility. The volumes presented for natural gas reserves are prior to the extraction of natural gas liquids.
- (c) Reserves in Venezuela are attributable to an operating service agreement

rata redemption shall be conducted and, subject to the provisions herein and in the Certificate of Incorporation contained, the terms and conditions upon which the shares of this Series shall be redeemed from time to time.

If such notice of redemption shall have been duly given by publication or if the Corporation shall have given to the bank or trust company designated by the Corporation as hereinafter specified irrevocable authorization promptly to give or to complete such notice of publication, and if on or before the redemption date specified therein the funds necessary for such redemption shall have been deposited by the Corporation, in trust for the pro rata benefit of the holders of the shares so called for redemption, with a bank or trust company in good standing, designated in such notice, organized under the laws of the United States of America or of the State of New York, doing business in the Borough of Manhattan, The City of New York, having a capital, surplus and undivided profits aggregating at least \$5,000,000 according to its last published statement of condition, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, from and after the time of such deposit, all shares so called for redemption shall no longer be deemed to be outstanding and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive from such deposit the funds so deposited, without interest. Any interest accrued on such funds shall be paid to the Corporation from time to time. Any funds so set aside or deposited, as the case may be, and unclaimed at the end of two years from such redemption date shall be released or repaid to the Corporation, after which the holders of the shares so called for redemption shall look only to the Corporation for payment thereof.

SECTION 4. Liquidation. The amount which shall be paid to the holders of shares of this Series in the event of any voluntary or involuntary total liquidation, dissolution or winding up of the

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Corporation shall be \$25.00 per share on each outstanding share of this Series, plus an amount equal to all dividends accumulated but unpaid to the date of such payment.

SECTION 5. Ratable Treatment. In the event that the amounts payable in accordance with Section 4 hereof are not paid in full, each share of this Series shall, together with outstanding shares of all other series of Preferred Stock of the Corporation, share ratably, without priority of one series over the other, in the payment of dividends, including accumulations, if any, in the proportion that the amount of dividends, including accumulations, if any, then payable on each share bears to the aggregate of such amounts then payable on all Preferred Stock of the Corporation and in any distribution of assets other than by way of dividends in the proportion that the sum payable on each share bears to the aggregate of the amounts so payable on all shares of Preferred Stock of the Corporation.

SECTION 6. Limitation on Dividends. So long as any of the shares of this Series shall remain outstanding, no dividend whatever shall be paid or declared, and no distribution made, on any junior shares, other than a dividend payable solely in junior shares, nor shall any junior shares be acquired for a consideration by the Corporation or by any company a majority of the voting shares of which is owned by the Corporation, unless all dividends on the shares of this Series accrued for all past quarterly dividend periods shall have been paid and the full dividends thereon for the then current quarterly dividend period shall have been paid or declared and duly provided for.

SECTION 7. Voting Rights. The holders of the shares of this Series shall have no voting rights whatsoever, except for any voting rights to which they may be entitled under the laws of the State of Delaware, and except as follows:

(a) So long as any of the shares of this Series are outstanding, the consent of the holders of at least a majority of the then-outstanding shares of this Series, given in person or by proxy at any special or annual meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following:

(i) Any increase in the authorized amount of Preferred Stock or the authorization, or any increase in the authorized amount, of any class of shares of the Corporation ranking on a parity with the Preferred Stock.

(ii) The sale, lease or conveyance (other than by mortgage) of all or substantially all of the property or business of the Corporation or the consolidation or merger of the Corporation into any other corporation, unless the corporation resulting from such merger or consolidation shall have thereafter no class of shares, either authorized or outstanding, ranking prior



to or on a parity with shares corresponding to the shares of Preferred Stock, except the same number of shares with no greater rights and preferences than the shares of Preferred Stock authorized immediately preceding such consolidation or merger and unless each holder of shares of Preferred Stock immediately preceding such consolidation or merger shall receive the same number of shares, with substantially the same rights and preferences, of the resulting corporation; provided, however, that the resulting corporation may have authorized and outstanding such additional shares having preferences or priorities over or being on a parity with the shares of Preferred Stock as the holders of Preferred Stock of the Corporation may have previously authorized

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pursuant to the Certificate of Incorporation; and provided, further, that this requirement of consent by the holders of shares of Preferred Stock shall not be deemed to apply to or operate to prevent either the purchase by the Corporation of the assets or shares, in whole or in part, of any other corporation, or the sale by the Corporation or any subsidiary of all or part of the capital shares or assets of other corporations, including a subsidiary, or the sale of a division or divisions of the Corporation or of any subsidiary, or any other sale of property or assets which constitutes less than substantially all of the property or assets of the Corporation.

(b) So long as any of the shares of this Series are outstanding, the consent of the holders of at least 66 2/3% of the then-outstanding shares of this Series given in person or by proxy, at any special or annual meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following:

(i) The authorization, or any increase in the authorized amount, of any class of shares of the Corporation ranking prior to the shares of Preferred Stock.

(ii) The amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation, or the amendment, alteration, repeal or adoption of any resolution contained in a certificate of designation filed pursuant to Section 151 of the General Corporation Law of the State of Delaware in the office of the Secretary of State of the State of Delaware, which would affect adversely any right, preference, privilege or voting power of the shares of this Series or shares of any other series of Preferred Stock or the holders thereof.

(c) Without limiting the rights, if any, of holders of any other series of Preferred Stock, in case the Corporation shall be in arrears in the payment of six quarterly dividends, whether or not successive, on the outstanding shares of this Series or any other outstanding series of Preferred Stock, the holders of shares of this Series voting separately as a class and in addition to their other voting rights shall have the exclusive right to elect two additional directors beyond the number to be elected by all stockholders at the next annual meeting of stockholders called for the election of directors, and at every subsequent such meeting at which the terms of office of the directors so elected by the holders of shares of this Series expire, provided such arrearage exists on the date of such meeting or subsequent meetings, as the case may be. The right of the holders of shares of this Series voting separately as a class to elect two members of the Board of Directors of the Corporation as aforesaid shall continue until such time as all dividends accumulated on all shares of Preferred Stock shall have been paid in full and provision has been made for the payment in full of the dividends for the current quarter, at which time the special right of the holders of shares of this Series so to vote separately as a class for the election of Directors shall terminate, subject to revesting at such time as the Corporation shall be in arrears in the payment of six quarterly dividends, whether or not successive, on the outstanding shares of this Series or any other outstanding series of Preferred Stock. If the annual meeting of stockholders of the Corporation is not, for any reason, held on the date fixed in the By-Laws at a time when the holders of shares of this Series, voting separately and as a class, shall be entitled to elect directors, or if vacancies shall exist in both of the two offices of directors elected by the holders of shares of this Series, the

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Chairman of the Board of the Corporation shall, upon the written request of the holders of record of at least 10% of the shares of this Series then outstanding addressed to the Secretary of the Corporation, call a special

meeting in lieu of the annual meeting of stockholders, or, in the event of such vacancies, a special meeting of the holders of shares of this Series, for the purpose of electing directors. Any such meeting shall be held at the earliest practicable date at the place for the holding of the annual meeting of stockholders or as otherwise determined pursuant to the By-Laws. If such meeting shall not be called by the Chairman of the Board of the Corporation within 20 days after personal service of said written request upon the Secretary of the Corporation, or within 20 days after mailing the same within the United States by certified mail, addressed to the Secretary of the Corporation at its principal executive offices, then the holder of record of at least 10% of the outstanding shares of this Series may designate in writing one of their number to call such meeting at the expense of the Corporation, and such meeting may be called by the person so designated upon the notice required for the annual meeting of stockholders of the Corporation and shall be held at the place for holding the annual meetings of stockholders or as otherwise determined pursuant to the By-Laws. Any holder of shares of this Series so designated shall have access to the lists of stockholders to be called pursuant to the provisions hereof.

At any meeting held for the purpose of electing directors at which the holders of shares of this Series shall have the right to elect directors as aforesaid, the presence in person or by proxy of the holders of at least 33 1/3% of the outstanding shares of this Series shall be required to constitute a quorum of such shares of this Series.

In the event any meeting of the holders of shares of this Series shall be held for the purpose of electing directors pursuant to this subdivision (c), nothing contained herein shall preclude the Corporation from simultaneously calling and holding a meeting of any other class or series of capital stock of the Corporation which may have voting rights to elect directors.

Any vacancy occurring in the office of director elected by the holders of shares of this Series may be filled by the remaining director elected by the holders of the shares of such class, unless and until such vacancy shall be filled by the holders of the shares of such class. Any director to be elected by the holders of shares of this Series shall agree, prior to his election to office, to resign upon any termination of the right of the holders of shares of this Series to vote as a class for directors as herein provided, and upon any such termination the directors then in office elected by the holders of shares of this Series shall forthwith resign.

SECTION 8. No Sinking Fund. No sinking fund shall be provided for the purchase or redemption of the shares of this Series.

SECTION 9. No Preemptive Rights. The holders of shares of this Series are not entitled to any preemptive or other rights to subscribe for or to purchase any shares or securities of any class which may at any time be issued, sold or offered for sale by the Corporation.

SECTION 10. Rank. All shares of Preferred Stock, including this Series, shall be of equal rank with each other regardless of series, and shall be identical with each other except as provided in the Certificate

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of Incorporation or in a certificate of designation filed pursuant to Section 151 of the General Corporation Law of the State of Delaware with the Secretary of State of the State of Delaware.

#### Junior Preferred Stock, Series A

The following is a statement of the powers, preferences, rights, qualifications, limitations and restrictions of the Series, consisting of 3,250,000 shares, \$1.00 par value of the Junior Preferred Stock, Series A.

SECTION 1. Designation and Amount. The shares of such series shall be designated as the "Junior Preferred Stock, Series A" (the "Junior Preferred Stock") and the number of shares constituting such series shall be 3,250,000, which number, subject to the provisions of the Certificate of Incorporation, may be increased or decreased by the Board of Directors without a vote of stockholders; provided, however, that such number may not be decreased below the number of the then currently outstanding shares of Junior Preferred Stock plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Junior Preferred Stock.

## SECTION 2. Dividends and Distributions.

(a) Subject to the rights of the holders of any shares of the Corporation's \$4.00 Cumulative Convertible Preferred Stock, \$9.75 Cumulative Convertible Preferred Stock and any other series of Preferred Stock (or any similar stock) ranking senior to the Junior Preferred Stock with respect to dividends, the holders of shares of Junior Preferred Stock, in preference to the holders of Common Stock with a par value of \$1.00 per share (the "Common Stock") of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, cumulative quarterly dividends payable in cash on the fifteenth day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Junior Preferred Stock, in an amount per share (rounded to the nearest cent), subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Junior Preferred Stock. In the event the Corporation shall at any time after September 12, 1988 (the "Rights Declaration Date") declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such

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amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Junior Preferred Stock as provided in paragraph (a) of this Section immediately before it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date, and the next subsequent Quarterly Dividend Payment Date, a dividend of \$0.01 per share on the Junior Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Junior Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Junior Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Junior Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Junior Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 50 calendar days prior to the date fixed for the payment thereof.

SECTION 3. Voting Rights. The holders of shares of Junior Preferred Stock shall have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Junior Preferred Stock shall entitle the holder thereof to

100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

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(b) Except as otherwise provided herein or by law, the holders of shares of Junior Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(c) Except as set forth in Section 11 hereof, or as required by law, holders of Junior Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

#### SECTION 4. Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Junior Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Junior Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Junior Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Junior Preferred Stock, except dividends paid ratably on the Junior Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Junior Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Junior Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Junior Preferred Stock, or any shares of stock ranking on a parity with the Junior Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the

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Corporation could, under paragraph (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

SECTION 5. No Redemption. The shares of Junior Preferred Stock shall not be redeemable.

SECTION 6. Reacquired Shares. Any shares of Junior Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

SECTION 7. Liquidation, Dissolution or Winding Up. Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, no distribution or payment shall be made (a) to the holders of Common Stock or any other shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Junior Preferred Stock unless, prior thereto, the holders of shares of Junior Preferred Stock shall have received an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of Common Stock, plus an amount equal to all accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, or (b) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Junior Preferred Stock, except distributions made ratably on the Junior Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time after the Rights Declaration Date declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event under the proviso in clause (a) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

SECTION 8. Consolidation, Merger, Etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Junior Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such

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case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Junior Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock outstanding immediately prior to such event.

SECTION 9. Fractional Shares. The Corporation may issue fractions and certificates representing fractions of a share of Junior Preferred Stock in integral multiples of one one-hundredth of a share of Junior Preferred Stock, or in lieu thereof, at the election of the Board of Directors of the Corporation at the time of the first issue of any shares of Junior Preferred Stock, evidence such fractions by depositary receipts, pursuant to an appropriate agreement between the Corporation and a depositary selected by it, provided that such agreement shall provide that the holders of such depositary receipts shall have all the rights, privileges and preferences of Junior Preferred Stock. In the event that fractional shares of Junior Preferred Stock are issued, the holders thereof shall have all the rights provided herein for holders of full shares of Junior Preferred Stock in the proportion with such fraction bears to a full share.

SECTION 10. Rank. The Junior Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets in liquidation, unless the terms of any such series shall provide otherwise.

SECTION 11. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Junior Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least a majority of the outstanding shares of Junior Preferred Stock, voting separately as a class.

FIFTH. In furtherance of, and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized and empowered:

(a) To make and alter the By-Laws of the Corporation; provided, however, that the By-Laws made by the Board of Directors under the powers hereby conferred may be altered, changed, amended or repealed by the Board of Directors or by the affirmative vote of the holders of a majority of shares having voting power with respect thereto; and

(b) From time to time to determine whether and to what extent, and at what times and places, and under what conditions and regulations, the accounts and books of the Corporation or any of them, shall be open to inspection of stockholders; and no stockholder shall have any right to inspect any account, book or document of the Corporation, except as conferred by applicable law and subject to the rights, if any, of the holders of any series of Preferred Stock.

The Corporation may in its By-Laws confer powers upon its Board of Directors in addition to the foregoing and in addition to the powers and authorities expressly conferred upon the Board of Directors by applicable law.

SIXTH. The stockholders and Board of Directors of the Corporation shall have power to hold their meetings and to have one or more offices of the Corporation within or without the State of Delaware, and

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to keep the books of the Corporation outside of the State of Delaware at such place or places as may from time to time be designated by the Board of Directors.

SEVENTH. Subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional Directors under specific circumstances, special meetings of stockholders of the Corporation may be called only by the Chairman of the Board of Directors and shall be promptly called by the Chairman or the Secretary at the written request of a majority of the Board of Directors or the holders of a majority of the outstanding Common Stock upon not fewer than ten nor more than 60 days' written notice.

EIGHTH. SECTION 1. Number, Election and Terms of Directors. Subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional Directors under specific circumstances, the number of the Directors of the Corporation shall be fixed from time to time by or pursuant to the By-Laws of the Corporation. Each director shall hold office for one year after the time of such director's election or until such director's successor is elected and qualified at the succeeding annual meeting of stockholders of the Corporation or until such director's earlier resignation or removal in accordance with the General Corporation Law of the State of Delaware, this Certificate of Incorporation and By-Laws.

SECTION 2. Stockholder Nomination of Director Candidates and Introduction of Business. Advance notice of stockholder nominations for the election of Directors and advance notice of business to be brought by stockholders before an annual meeting shall be given in the manner provided in the By-Laws of the Corporation.

SECTION 3. Newly Created Directorships and Vacancies. Except as otherwise provided for or fixed pursuant to the provisions of Article Fourth of this Certificate of Incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect Directors under specified circumstances, newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled only by the affirmative

vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board of Directors. Any Director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of Directors in which the new directorship was created or the vacancy occurred and until such Director's successor shall have been elected and qualified. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of an incumbent Director.

SECTION 4. Removal. Subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional Directors under specified circumstances, any Director may be removed from office only by the affirmative vote of the holders of at least 50% of the combined voting power of the outstanding shares of Voting Stock, voting together as a single class.

NINTH. [Deleted]

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TENTH. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, including in a Preferred Stock Designation, in the manner now or hereafter prescribed by applicable law and this Certificate of Incorporation, including any applicable Preferred Stock Designation, and all rights conferred upon stockholders herein are created subject to this reservation.

ELEVENTH. A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law as the same exists or may hereafter be amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

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EXHIBIT 4.24

#### ASSUMPTION AGREEMENT

THIS ASSUMPTION AGREEMENT (the "Agreement"), dated as of August 14, 1996, is made and entered into by and among CHEMICAL LAND HOLDINGS, INC., a Delaware corporation ("CLH") and MAXUS ENERGY CORPORATION, a Delaware corporation ("Maxus").

#### RECITALS

A. Immediately prior to the execution, and delivery of this Agreement, CLH has become a wholly-owned subsidiary of CLH Holdings, Inc., a Delaware corporation.

B. The parties hereto desire to transfer certain assets and liabilities related primarily to certain environmental matters, and the management thereof, to CLH.

C. CLH is willing to assume such liabilities and the management thereof in consideration of, among other things, the assignment of certain assets to CLH and the agreements to make certain capital commitments to CLH by its stockholder and its parent companies pursuant to the Contribution Agreement.

#### AGREEMENTS

In consideration of the mutual undertakings and agreements contained herein and in the Contribution Agreement, the parties covenant and agree as follows:

## ARTICLE ONE

## DEFINITIONS

The following terms have the meanings assigned:

"Administrative Proceeding" means any action taken by any Governmental Authority pursuant to or under any Environmental Law, including, but not limited to, any clean up, removal or remediation activity, notice of violation, notice of deficiency, notice of potential liability, inspection, investigation, site characterization, or any notice or directive given by such Governmental Authority in connection with clean up, removal or remediation activity.

"Assigned Assets" is defined in Section 3.1 of this Agreement.

"Assumed Liabilities" is defined in Section 2.1 of this Agreement.

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"Contribution Agreement" shall mean that certain Contribution Agreement dated an even date herewith by and among YPF Sociedad Anonima, YPF International Ltd., YPF Holdings, Inc., CLH Holdings, Inc., Maxus and CLH.

"DSRM Agreement" means that certain Distribution Agreement dated as of April 22, 1987 by and between Diamond Shamrock Corporation and Diamond Shamrock R&M, Inc., as amended as of the date hereof.

"Effective Time" shall mean 12:01 a.m., Central Time, on August 1, 1996.

"Environmental Claim" means any claim, demand, liability (including strict liability), loss, obligation, damage (whether for property damage, natural resource damage or bodily injury and including depreciation of property values and consequential, punitive and exemplary damages), cause of action, judgment, civil penalty, payment, fine, cost and related expense (including, but not limited to, reasonable expenses, costs and fees of attorneys, legal assistants, consultants, contractors, experts and laboratories) arising out of activities, or allegations of activities which (a) are associated with the ownership, use or operation of property at any time, including, but not limited to, those related to any compliance, investigative, enforcement, cleanup, removal, containment, remedial, response, cost recovery, contribution or other private or governmental or regulatory action at any time threatened, instituted or completed, which in any way is connected with any Hazardous Material, and (b) (i) are in violation of any Environmental Law, (ii) constitute nuisance, trespass or negligence in the creating and/or allowing to exist or remain, or threatening to move, any Hazardous Material on, in, under or over any property, (iii) result in the commencement of any Administrative Proceeding, or (iv) if reported to a Governmental Authority would likely result in the commencement of any Administrative Proceeding.

"Environmental Law" means any federal, state or local law, statute, ordinance, code, rule, regulation, license, permit, authorization, decision, order, injunction, requirement, decree or restriction, which pertains to health, safety, environment, or natural resources, or any Hazardous Materials (including, without limitation, the presence, use, handling, treatment, recycling, transportation, production, disposal, release, discharge or storage thereof), whether in effect presently, or prior to, or after the date hereof. The term "Environmental Law" shall include, but not be limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. (S) 9601 et seq. ("CERCLA"), Resource Conservation and Recovery Act of

1976, as amended, 42 U.S.C. (S) 6901 et seq. ("RCRA"), the Solid Waste Disposal

Act of 1976, 42 U.S.C. (S) 6901 et seq., those provisions of the Occupational

Safety and Health Act, 29 U.S.C. (S) 651 et seq. which pertain to environmental

matters, the Clean Air Act, 42 U.S.C. (S) 7401 et seq., the Federal Water

Pollution Control Act, 33 U.S.C. (S) 1251 et seq., the Toxic Substances Control

Act, 15 U.S.C. (S) 2601 et seq., the Emergency Planning and Community Right to

Know Act of 1986, 42 U.S.C. (S) 1101 et seq and any similar law, regulation or

requirement of any Governmental Authority having jurisdiction over the subject property, as such laws, regulations and requirements have been or may be amended or supplemented.



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"Governmental Authority" means any federal, state or local government or administrative or regulatory agency or commission or other such instrumentality operating under any such governmental authority and exercising competent jurisdiction.

"Hazardous Materials" means any chemical, material or substance defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar meaning and regulatory effect.

"Indemnified Parties" is defined in Section 2.2 of this Agreement.

"Independent Director" is defined in Section 4.1(b) of this Agreement.

"Insurance Litigation" shall mean the action styled Diamond Shamrock Chemicals Company v. Anglo French Insurance Company, Ltd., et al, Cause No. L-01591-86 in the Superior Court of New Jersey, Morris County, and all claims asserted or disposed of therein.

"Obligations" is defined in Section 2.1 of this Agreement.

"Retained Obligations" is defined in Section 2.3 of this Agreement.

"Stock Purchase Agreement" means that certain Stock Purchase Agreement dated September 4, 1986 by and among Diamond Shamrock Corporation, Occidental Petroleum Corporation, Occidental Chemical Holding Corporation and Oxy-Diamond Alkali Corporation.

"YPF Affiliate" means (i) YPF Sociedad Anonima and (ii) any corporation or other business entity in which YPF Sociedad Anonima owns directly, or indirectly through one or more other YPF Affiliates, 50% or more of the outstanding voting capital stock or equity capital of the entity, other than CLH.

## ARTICLE TWO

### ASSUMPTION OF CERTAIN OBLIGATIONS

2.1 Assumption of Obligations by CLH. Subject to Section 5.1 hereof and effective as of the Effective Time, CLH hereby assumes and undertakes to pay, perform and discharge the debts, liabilities, obligations and commitments, whether known or unknown, contingent or absolute or accrued or not accrued (collectively, "Obligations") set forth below to the extent that Maxus or one of its other subsidiaries (or any officer, director, employee, agent, representative or controlling person of Maxus and its subsidiaries) is or may become liable for such Obligations:

(a) any and all Obligations of Maxus under (i) Sections 8.19 and 8.21 of the Stock Purchase Agreement, (ii) Section 9.03(a) of the Stock Purchase Agreement, but

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only to the extent such Obligations either (A) relate to Indemnifiable Losses (as defined in Section 9.03) relating to, resulting from or arising out of the matters described in clauses (iii) or (iv) of such Section 9.03(a) or (B) arise in connection with Indemnifiable Losses that relate to, result from or arise out of an Environmental Claim, (iii) Article X of the Stock Purchase Agreement or (iv) that certain action styled Occidental Chemical Corporation and Henkel Corporation v. Maxus Energy Corporation filed in the 68th Judicial District Court of Dallas County, Texas (Cause No. 95-11776);

(b) any and all Obligations of Maxus or its subsidiaries arising out of any Environmental Claim relating to or arising out of the ownership, lease, operation or use of (i) any real property owned by CLH on or prior to the date hereof, (ii) any of the Inactive Sites (as defined in the Stock Purchase Agreement), (iii) the former business and assets of Diamond Shamrock Agricultural Chemicals division, and (iv) any of the sites or matters identified, listed or described on Exhibit A hereto; and

(c) any other Obligations of Maxus or its consolidated subsidiaries related to the Obligations described in clauses (a) and (b) hereof for which amounts have been accrued as a liability reserve on the consolidated

balance sheet of Maxus as of July , 1996 prepared in accordance with generally accepted accounting principles;

provided, however, that notwithstanding the foregoing, the Obligations assumed by CLH pursuant to this Section 2.1 shall not include (i) Obligations constituting Retained Obligations, (ii) Obligations to the extent of receipt by Maxus or its other subsidiaries (other than CLH) of insurance proceeds or amounts in settlement of insurance coverage in respect of the foregoing Obligations or (iii) Obligations to the extent that Maxus or any of its subsidiaries (other than CLH) receives payments in indemnification or contribution in respect of the foregoing Obligations from any party other than a YPF Affiliate. The Obligations assumed by CLH pursuant to this Section 2.1 are herein referred to as the "Assumed Liabilities."

2.2 Indemnification. Subject to Section 5.1 hereof and effective at the Effective Time, CLH shall indemnify without duplication each of Maxus, its other subsidiaries, and their respective directors, officers, employees, stockholders, partners and agents (the "Indemnified Parties") against, and hold the Indemnified Parties harmless from, any and all claims, demands, liabilities (including strict liability), losses, obligations, damages (whether for property damage, natural resource damage or bodily injury and including depreciation of property values and consequential, punitive and exemplary damages), causes of action, judgments, civil penalties, payments, fines, costs and related expenses (including reasonable attorneys fees and expenses incurred in connection with investigations and settlements) resulting from or arising out of the Assumed Liabilities. The indemnification provided by this Section 2.2 shall extend to the benefit of the Indemnified Parties to the fullest extent permitted by law, without regard to, or limitation by, the standard of conduct of any Indemnified Party or any other third party, including without limitation any act or omission by any Indemnified Party that may constitute negligence or fraud.

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2.3 Retained Liabilities. Maxus agrees to retain and remain responsible for all Obligations in respect of the following (collectively, the "Retained Obligations"):

(a) all Obligations to third parties (other than parties to this Agreement and the Stock Purchase Agreement) resulting from or arising out of claims, demands, liabilities (including strict liability), losses, obligations, damages (whether for property damage or bodily injury and including depreciation of property values and consequential, punitive and exemplary damages), causes of action, judgments, civil penalties, payments, fines, costs and related expenses (including reasonable attorneys fees and expenses incurred in connection with investigations and settlements) based upon an assertion or allegation that a manufactured product was defective or unreasonably dangerous or unsafe, or that the manufacturer had failed to warn of defective, dangerous or unsafe characteristics or potential consequences of improper use, handling, transport, storage or disposal, of a product, regardless of whether such assertion or allegation includes claims of injury or damages associated with environmental contamination as a result of an alleged product defect;

(b) all Obligations incurred by Maxus and its subsidiaries relating to the Insurance Litigation;

(c) all Obligations incurred by Maxus and its subsidiaries under workers' compensation and other employer's liability laws; and

(d) all Obligations incurred directly in connection with operating and/or plugging and abandoning the gas wells identified on Exhibit B hereto. (Exhibit B also lists certain other matters for which Maxus retains responsibility.)

2.4 Waiver of Rights of Recovery. Maxus shall waive, and shall cause its subsidiaries to waive, any and all rights of recovery, claims, actions and causes of action against CLH, its officers, directors, stockholders, agents and representatives that Maxus or its other subsidiaries may have to recover any proceeds from insurance policies or portion thereof covering the Obligations set forth in clauses (a), (b) and (c) of Section 2.1 hereof, unless giving such waiver would adversely affect the right to receive such payments from any insurance carrier.

2.5 Reimbursement of Certain Costs and Expenses. Maxus shall promptly reimburse CLH for any and all costs and expenses incurred and paid by CLH with respect to any of the Obligations set forth in clauses (a), (b) and (c) of Section 2.1 hereof in the event that such costs and expenses are determined not to constitute Assumed Liabilities by reason of the proviso of Section 2.1 or otherwise.

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## ARTICLE III

## TRANSFER OF CERTAIN ASSETS

3.1 Transfer of Certain Assets. Subject to Sections 3.5 and 5.1 hereof and effective as of the Effective Time, Maxus hereby agrees to grant, bargain, convey, contribute, transfer, assign and deliver unto CLH all of the rights, titles and interests of Maxus in and to the following (collectively, the "Assigned Assets"):

(a) all benefits accruing to Maxus after the Effective Time under Section 3.03 of the DSRM Agreement, except to the extent that such benefits constitute or relate to the reimbursement of funds paid, received or advanced from settlements or other disposition of the Insurance Litigation or Rosario et al. v. Diamond Shamrock Corporation et al., Cause No. 687219-1, Superior Court, Alameda County, California and related cases;

(b) all rights to insurance proceeds, and settlements of related insured matters, to the extent such payments represent reimbursement of Assumed Liabilities, excluding any payments by insurance carriers made in connection with the settlement or other disposition of the Insurance Litigation (which payments shall be retained by Maxus) but including the right to receive any future payments made from insurance carriers under the terms of settlement of the Insurance Litigation made in respect of the Cedartown, Georgia, Deer Park, Texas, Muscle Shoals, Alabama, Belle, West Virginia and Castle Hayne, North Carolina plant sites and any presently unknown sites;

(c) all rights of recovery, contribution, reimbursement, claims, actions and causes of action against any party (including without limitation Diamond Shamrock, Inc., Occidental Chemical Corporation or any of their affiliates or any insurance carrier) other than Maxus or its subsidiaries in respect of the Assumed Liabilities, except for payments made to Maxus by any third party in respect of same prior to the Effective Time (which payments shall be retained by Maxus);

(d) all permits or licenses issued by, or agreements with, any Governmental Authority, or any agreement with any party other than Maxus (other than those agreements relating to the matters expressly excepted in clauses (b) and (c) above), relating to the Assumed Liabilities and the assets of CLH and necessary for the management or operation thereof; and

(e) all documents, studies, files, photographs, maps, charts and other records relating to the Assumed Liabilities and the assets of CLH and the management thereof or to CLH employees, provided that Maxus shall retain the right to have reasonable access to such documents.

3.2 Instruments of Transfer; Further Assurances. Maxus covenants and agrees to furnish in proper form (and if applicable, in suitable form for recording) any other bills of sale,

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endorsements, assignments, certificates and other instruments of transfer and conveyance as CLH shall reasonably deem necessary to vest in CLH such title to the Assigned Assets hereof as Maxus may possess.

3.3 Transfers Requiring Consent. Maxus shall use its reasonable efforts to obtain, or cause to be obtained, as promptly as practicable all consents, if any, necessary to assign, transfer, convey or deliver the Assigned Assets to CLH. Notwithstanding any other provision of this Agreement to the contrary, this Agreement shall not constitute an agreement to transfer or assign, or a transfer or assignment of, any contract right, agreement, license or permit or document, if a transfer or assignment thereof without the consent of any other party or parties thereto (other than Maxus or its affiliates) required or necessary for such transfer or assignment would constitute a breach thereof or in any way adversely affect the rights of Maxus thereunder (any such assets are hereinafter referred to as "Non-Assignable Assets"). In order to provide CLH with the utilization of every Non-Assignable Asset, unless and until the necessary consent is obtained, Maxus shall take or cause to be taken, and shall cause each of its subsidiaries (other than CLH) to take or cause to be taken, all reasonable action in cooperation with CLH and do or cause to be done all such things as may be reasonably necessary and proper to: (a) hold in trust for the benefit of CLH all Non-Assignable Assets and any consideration received by Maxus with respect thereto, (b) preserve the material rights and obligations

under the Non-Assignable Assets for the benefit of CLH, (c) facilitate the receipt of any consideration to be received by Maxus or its other subsidiaries with respect to any Non-Assignable Asset, and promptly pay or cause to be paid to CLH any such consideration received by Maxus or its other subsidiaries, and (d) make arrangements designed to provide to CLH the material benefits of each Non-Assignable Asset, including without limitation the appointment of an attorney-in-fact for CLH or subcontracting with CLH to effect a "pass-through" of the material rights and obligations of Maxus and its other subsidiaries thereunder. Notwithstanding the foregoing, Maxus shall not be obligated to take any action to ensure that CLH will be allowed the use of, or access to, any technology, whether protected by copyright, patent, license or otherwise, if such action will require the expenditure of funds by Maxus or materially adversely affect the benefits or rights required to be retained by Maxus, unless the parties agree otherwise.

### 3.4 Right of Collection and Endorsement. Should Maxus or any of its

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 subsidiaries (other than CLH) receive payment of any account receivable, note receivable or other asset of CLH, it shall promptly remit or pay over, or cause its subsidiaries to remit or pay over, such payment or other asset to CLH. Should CLH receive payment of any account receivable, note receivable or other asset of Maxus or any of its subsidiaries, it shall promptly remit or pay over such payment or other asset to Maxus or the appropriate subsidiary.

### 3.5 Reassignment in the Event of Default by CLH. In the event that

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 CLH defaults in the payment of any Obligation that constitutes an Assumed Liability, then, in addition to any other remedy available under this Agreement or in law, CLH shall convey, assign and pay over to Maxus all rights and payments set forth in clauses (a), (b) and (c) of Section 3.1 to the extent that (i) such rights and payments are asserted or made after the date of default of CLH and

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(ii) such rights and payments relate to the Obligation on which CLH defaulted. Any payments made to Maxus pursuant to this Section 3.5 shall reduce and mitigate the damages suffered by Maxus as a result of such default.

## ARTICLE FOUR

### CERTAIN COVENANTS

4.1 Management Responsibilities. In addition to the responsibilities and management of the Obligations associated with the Assumed Liabilities, the parties acknowledge and agree that as between them CLH shall have primary responsibility for the management and handling after the Effective Time of the business, legal and technical aspects of environmental matters associated with (a) the alleged generation, handling, transportation, storage and disposal of wastes from the former businesses, operations and properties of Diamond Shamrock Chemicals Company, including its predecessors ("DSCC") or (b) the chemical manufacturing operating practices of DSCC.

4.2 Access and Records. Each of Maxus and CLH will afford the other, its officers, employees, agents and representatives reasonable access to its documents, records, instruments and property to the extent such documents, records, instruments and property are properly required in order for each to fulfill its management or legally required duties. Each of Maxus and CLH will cause documents, records and instruments to be retained if requested by the other for legal or other proper reasons. Without limiting the foregoing, upon reasonable request, Maxus, its officers, employees, agents and representatives shall be permitted (a) to review the activities and books and records of CLH and (b) if deemed necessary or appropriate by Maxus, to inspect CLH's property or property being administered, remediated or maintained by CLH for the purpose of complying with its legal and audit disclosure requirements. CLH shall not be responsible for maintenance of records required under the Occupational Safety and Health Act or medical or other records compiled and maintained on a corporate-wide basis, and not uniquely for or related to the former business, operations or property of DSCC or CLH and to the liabilities assumed by CLH hereunder.

4.3 Mutual Covenants to Maintain Corporate Independence. It is the intent of the parties to this Agreement that each of CLH and Maxus maintain separate existence and independence and remain responsible for its own respective business, assets and liabilities, except to the extent as expressly provided in this Agreement, the Contribution Agreement and other written agreements between the companies. In furtherance of such intent, Maxus and CLH covenant and agree as follows:

(a) The books of account of CLH shall be maintained separately from those of Maxus and any other YPF Affiliate and other affiliates of Maxus. The assets of CLH shall not be commingled with the assets of Maxus or any other YPF Affiliate.

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(b) To the extent feasible, at least one member of the Board of Directors of CLH shall be a person who is not also a director, officer or employee of CLH, Maxus or any other YPF Affiliate (the "Independent Director").

(c) To the extent services are furnished to CLH by Maxus or any other YPF Affiliate, or to Maxus or any other YPF Affiliate by CLH, such services shall be provided under a services agreement between CLH and Maxus or such other YPF Affiliate, as the case may be, which describes the services to be provided, establishes compensation rates to be charged for such services at a rate consistent with sound business practices and which provides for, among other things, reimbursement of out-of-pocket expenses incurred in connection with rendering such services.

(d) CLH shall have its own U.S. taxpayer identification number.

(e) CLH shall maintain bank accounts in its own name and utilize its own letterhead for all correspondence.

(f) All agreements relating to the business of CLH shall be entered into by it in its own name and executed on its behalf by one of its officers or other authorized representative. CLH shall not grant a general power of attorney to Maxus or any other YPF Affiliate or to any person who is an officer, director or employee of Maxus or any other YPF Affiliate (other than a person who is also an officer of CLH and who is granted such power of attorney by reason of his office with CLH).

(g) CLH shall maintain all required corporate formalities as required under Delaware law, including the maintenance of books and records and the conduct of shareholders' and Board of Directors' meetings.

(h) CLH shall obtain in its own name any government permits which are necessary or appropriate to conduct its business.

(i) Except as may be provided in any services agreement referred to in Section 4.3(c), CLH shall not engage in any transaction with Maxus or any other YPF Affiliate which is not related to the business and operations of CLH. Any such transaction related to the business and operations of CLH engaged in by CLH with Maxus or any other YPF Affiliate is and will be on an arms' length basis and will be approved by a majority of CLH's directors, including, if a person is so serving at the time, the Independent Director.

(j) Except to the extent set forth in this Agreement, CLH has not agreed to assume any liabilities or other obligations of Maxus or any other YPF Affiliate.

(k) Any transaction that affects the fundamental organization of CLH (including, without limitation, any voluntary bankruptcy filing by CLH) shall have the prior

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approval of a majority of CLH's directors, including, if one is serving on the Board of Directors at such time, the Independent Director.

(l) CLH shall not hold itself out, or permit its officers, employees or agents to hold themselves out, as employees or agents of Maxus or any other YPF Affiliate, or as authorized to represent Maxus or any other YPF Affiliate absent an express agreement granting such authority.

Nothing contained in this Section 4.3 shall prevent Maxus, YPF or any other YPF Affiliate from issuing guarantees or providing other financial assurances to third parties for the benefit of CLH for the purpose of ensuring the performance or payment of its obligations.

#### ARTICLE FIVE

#### GENERAL PROVISIONS

##### 5.1 Conditions Precedent to Effectiveness of Assumption and Transfer.

Notwithstanding anything to the contrary herein, this Agreement shall not be effective unless and until (i) the Contribution Agreement is executed and delivered by all parties thereto and (ii) all of the issued and outstanding capital stock of CLH is transferred and assigned to YPF Holdings (USA), Inc., a Delaware corporation; provided, however, that this entire Agreement shall terminate and cease to be of any force and effect if each of the events described in clauses (i) and (ii) do not occur on or prior to August 31, 1996.

## 5.2 Further Assurances.

(a) Without further consideration, Maxus shall execute, acknowledge and deliver, or cause its subsidiaries to execute, acknowledge and deliver, all such further documents and instruments and shall do all such further acts and things as may be necessary or useful in order to fully and effectively carry out the purposes and intent of this Agreement.

(b) Without further consideration, CLH shall execute, acknowledge and deliver all such further documents and instruments and shall do all such further acts and things as may be necessary or useful in order to fully and effectively carry out the purposes and intent of this Agreement.

5.3 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties signatory hereto and their respective successors and assigns.

5.4 No Third Party Rights. The provisions of this Agreement are intended to bind the parties hereto as to each other and are not intended to and do not create rights in any other person or confer upon any other person any benefits, rights or remedies and no person is

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or is intended to be a third party beneficiary of any of the provisions of this Agreement, except in respect of Section 2.2 hereof, the Indemnified Parties expressly set forth therein.

5.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, excluding any conflicts-of-law rule or principle that might refer the construction or interpretation of this Agreement to the laws of another state.

5.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement.

5.7 Construction of Agreement. In construing this Agreement (i) no consideration shall be given to the captions of the articles, sections, subsections, or clauses, which are inserted for convenience in locating the provisions of this Agreement and not as an aid in its construction and (ii) no consideration shall be given to the fact, nor shall there be any presumption, that one party had a greater or lesser hand in drafting this Agreement.

5.8 Severability. If any of the provisions of this Agreement are held by any court of competent jurisdiction to contravene, or to be invalid under, the laws of any political body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid, and an equitable adjustment shall be made and necessary provision added so as to give effect to the intention of the parties expressed in this Agreement at the time of execution of this Agreement.

This Assumption Agreement is executed and delivered as of the date first above written out effective as of the Effective Time.

CHEMICAL LAND HOLDINGS, INC.

By: /s/ M. M. Skaggs, Jr.

Name: M. M. Skaggs, Jr.

Title: President

## MAXUS ENERGY CORPORATION

By: /s/ W. Mark Miller

Name: W. Mark Miller

Title: Executive Vice President

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REVISED 8/14/96 CERTAIN MATTERS TO

EXHIBIT A

BE HANDLED BY CLH-SPINOFF COMPANY

## LIMITED PURPOSE--CLAIMS LISTING

<TABLE>  
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ID	NAME	SUBJECT	OUT/CNSL
<C>	<S>	<C>	<C>
ENV:			
101.1	Transtech v A&Z Septic, et al	Kin-Buc Lndfil.	M. Gordon
102	Bayou Sorrell C-L-O-S-E-D	Lndfil.Cleanup	
105	Lone Pine C-L-O-S-E-D	Lndfil.Cleanup	
106	SCP/Carlstadt	Lndfil.Cleanup	
107	Kingsville Twnship. Dump I-N-A-C-T-I-V-E	Lndfil.Cleanup	
108	Duane Marine Salvage Corp. I-N-A-C-T-I-V-E	Lndfil.Cleanup	
109	MOTCO C-L-O-S-E-D	Lndfil.Cleanup	
109.1	Crofton v. Amoco, et al.	BI & PD	J. McNerney
110	Ashtabula Plant	Env.Contam.	
111	Carlstadt Plant	Env.Contam.	
111.1	Velsicol v. Am Cy, et al.(re:Berry'sCreek)	Env.Contam.	
111.2	Morton Int. v. Am Cy, et al.( " )	Env.Contam.	
112	Cedartown, Ga. Plant	Env.Contam.	
112.1	Cedartown Municipal Landfill	Lndfil.Cleanup	J. Sasine
113	Deer Park Plant	Env.Contam.	
114	Delaware City Plant	Env.Contam.	
115	Harrison Plant	Env.Contam.	
116	Jersey City Plant	Env.Contam.	
117	Muscle Shoals Plant	Env.Contam.	
118	Painesville Chrome Site ("100 acres")	Env.Contam.	A&K
119	Mobile Plant	Env.Contam.	
120	Sheridan Disposal Svcs. C-L-O-S-E-D	Lndfil.Cleanup	
121	Princeton Plant C-L-O-S-E-D	Env.Contam.	
122	Greens Bayou Plant	Env.Contam.	
123	Painesville One-Acre Site	Env.Contam.	A&K
124	Bristol, PA I-N-A-C-T-I-V-E	Env.Contam.	
128	Belle, W.Va. Plant	Env.Contam.	
129	Strasburg Landfill	Lndfil.Cleanup	M. Gordon
130	Tybcuts Corner Site (USA v ICI, et al.) C-L-O-S-E-D	Lndfil.Cleanup	
132	Galloway Pits/Arlington Blding C-L-O-S-E-D	Lndfil.Cleanup	
133	Blosenski Landfill (USA v Blosenski, et al.) C-L-O-S-E-D	Lndfil.Cleanup	M. Gordon
134	Castle Hayne Plant	Env.Contam.	
135	Chem. & Minerals Reclam. C-L-O-S-E-D	Lndfil.Cleanup	

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136 & 136.1	Cortese Landfill (NY v SCA, et al.) C-L-O-S-E-D	Lndfil.Cleanup	M. Gordon
137	Fields Brook Site	Env.Contam.	
137.1	Gen-Corp. Inc. v DSCC, et al	Env.Contam.	
137.2	Cabot Corp. v DSCC, et al.	Env.Contam.	
137.3	OEPA Nat. Resource Damages	Env.Contam.	

138	Flemington Landfill C-L-O	J-D	Lndfil.Cleanup	
139	French Limited Site		Lndfil.Cleanup	
139.1-139.6	Various BI/PD claims C-L-O-S-E-D		BI & PD	
140	Jadco-Hughes Site		Lndfil.Cleanup	
141	Kearny (Hudson Co. Cr)		Env.Contam.	Various
141.12	NJ Turnpike case		Env.Contam.	J. Bolger
141.13	Kitsos case		Env.Contam.	J. Kosch
141.14	PPG v Lawrence, et al		Env.Contam.	J. Kosch
141.16	Metal Powder v Burnham v Oxy		Env.Contam.	M. Judge
196	Bentey case		Env.Contam.	J. Kosch
196.1	Settle case		Env.Contam.	J. Kosch
142	SCP/Newark Site C-L-O-S-E-D		Lndfil.Cleanup	
143	Tuscaloosa Plant		Env.Contam.	
147	Newark (80 Lister) Plant		Env.Contam.	C. Dinkins
147.1-147.13	(various claims/IHRAC case) C-L-O-S-E-D		BI & PD	W. McCarter
	Maxus v USA (Newark contribution claim)		Contrib.	M. Gordon
147.14	Passaic River		Env.Contam.	C. Dinkins
				A&K
				Local
148	Sikes Pit C-L-O-S-E-D		Lndfil.Cleanup	
150	Atlanta, Ill. C-L-O-S-E-D		Env.Contam.	
151	Maxey Flats Site		Lndfil.Cleanup	
152	Nat'l. Presto (Eau Claire, Wis.) C-L-O-S-E-D		Env.Contam.	
153	Summit Nat'l. Site C-L-O-S-E-D		Lndfil.Cleanup	
154	Amer. Chem. Svcs. Site C-L-O-S-E-D		Lndfil.Cleanup	
155	Painesville Works & Settling Ponds		Env.Contam.	A&K
156	Old Mill Site C-L-O-S-E-D		Lndfil.Cleanup	
157	Chemical Control Site		Lndfil.Cleanup	
158	Cross Bros. Site C-L-O-S-E-D		Lndfil.Cleanup	
159	Conservation Chemical Site C-L-O-S-E-D		Lndfil.Cleanup	
160	Liberty Waste Site (BI/PD Claims:		BI & PD	W. Conrad
	Barras v Exxon C-L-O-S-E-D			
	Hollisv Exxon C-L-O-S-E-D			
	Lowrey v Exxon C-L-O-S-E-D			
	Sancers v Exxon C-L-O-S-E-D			
	Chaplin C-L-O-S-E-D			
160.1	Fred Adams v Exxon		BI & PD	W. Conrad

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	160.2 Baptiste v Exxon C-L-O-S-E-D	BI & PD	W. Conrad
	160.3 Dartez v Exxon	BI & PD	W. Conrad
161	Dixie Caverns Landfill	Lndfil.Cleanup	
162	Pulverizing Services Site	Lndfil.Cleanup	
162.1	325 New Albany Assoc. v PPG, et al	PD & Env.Contam	
163,163.1	Metcoa Site (USA v Pesses, et al.)	Env.Contam.	M. Gordon
164	GBF/Pittsburg Landfill (Ca)	Lndfil.Cleanup	B. Stauffer
165-169	Five NY Landfills C-L-O-S-E-D	Lndfil.Cleanup	
170	Delaware Sand & Gravel Site C-L-O-S-E-D	Lndfil.Cleanup	R. Whetzel
	170.1 New Castle County C-L-O-S-E-D	Cost recovery	"
	170.2 USA v Hercules, et al. C-L-O-S-E-D	Cost recovery	"
	170.3 Crossan claim C-L-O-S-E-D	BI (EPA worker)	"
171	Army Creek Landfill	Lndfil.Cleanup	
171.1	New Castle County demand	Cost Recovery	
172	Syncon Fesin Site C-L-O-S-E-D	Env.Contam.	
175	PJP Landfill (NJ v PJP, et al.)	Lndfil.Cleanup	J. Lynch
176	USA v Lord (New Lyme Landfill)	Lndfil.Cleanup	K. Kammer
176.1	State of Ohio v Aardvark	"	K. Kammer
177	Fisher-Calo Site (In.) C-L-O-S-E-D	Lndfil.Cleanup	
178	Metamora Site (Mich.)	Lndfil.Cleanup	
179	Powder River Crude C-L-O-S-E-D	Lndfil.Cleanup	
181	IWC Site (Ark)[DeSoto case] C-L-O-S-E-D	Lndfil.Cleanup	
182	Redwood City Plant	Env.Contam.	R. Tarr
180	Beeger v Rohm and Haas, et al	PD&Env.Contam	J. Darrell
183	Bay Area Drum Site (Ca)	Lndfil.Cleanup	J. Armao
184	Paddock Rd. (Cinn., Oh)	Env.Contam.	
186	Davis Liquid Waste Site (USA v Davis)	Lndfil.Cleanup	M. Gordon
188	Fiber Chem Site	Env.Contam	L. Mills
189	Des Moines Barrell & Drum Site	Lndfil.Cleanup	
190	Cammarata case (White Chem. Co.)	BI	D. Apy
190.1	Rhone-Poulenc case C-L-O-S-E-D	Env.Contam.	D. Apy
191	Rife v Agway, et al. (Sweden-3 site)	BI & PD	(Oxy)
191.1	Sheg v Agway, et al. ( " )	"	(Oxy)
192	Reserve Env. v Detrex v DSCC, et al.	Env.Contam.	(Oxy)
193	Huth Oil Site C-L-O-S-E-D	Env.Contam.	
195	Fuels and Chemicals Site C-L-O-S-E-D	Env.Contam.	



197	Marzone Site (Ga.)	Lndfil.Cleanup	
198	Bay Drum Site (Fla.)	Lndfil.Cleanup	
199	Bohaty Drum Site C-L-O-S-E-D	Lndfil.Cleanup	
200	Chem-Trol Site	Lndfil.Cleanup	M. Gordon
201	Organic Chemical Site	Env.Contam.	
202	Picillo Pig Farm (AmCy v 3M)	Lndfil.Cleanup	M. Gordon
	Rohm and Haas case	"	"

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203	Uniroyal Site (Mag Plant)	Env.Contam.	
204	Geothermal, Inc. Site (Middletown)	Lndfil.Cleanup	

State of NJ v Ace, et al	Cost Recovery	L. Kurzweil
Recluse Gas Plant	Env.Contam.	
Oxy vs Maxus	Contract (Art.X)	L. Schreve
Oxy v Maxus (Fields Brook Indemnity)	Contract	
Neidenberg Claim (Cr./Lung Cancer)	Wrong/Death	
Marco of Iota Site (Midgard)	Env. Contam.	
Martin's Oil Country Tubulars Site (Midgard?)	Env. Contam.	
Patterson Tubular (Patterson Trucking) Site (Midgard?)	Env. Contam.	

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REVISED 8/14/96 CERTAIN MATTERS TO BE

EXHIBIT B

RETAINED BY MAXUS FOLLOWING SPIN-OFF

## LIMITED PURPOSE--CLAIMS LISTING

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ID	NAME	SUBJECT	OUT/CNSL	RESP.CO.
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ENV:				
103	McKee Refinery	Env.Contam.		R&M
104	Three Rivers Refinery	Env.Contam.		R&M
126(incl. 126.1-126.10)	Sigmor Stations C-L-O-S-E-D	PD or Env.Contam.		R&M
127	Freddie Harris Site	Lndfil.Cleanup		R&M
173	Sacramento Savings v Natomas	Env.Contam.	J. Darrell	Natomas/MXS
	C-L-O-S-E-D			
174	NY v SDS (Suffolk County Dacthal)	Prod.Liab/Env.	ISK Sharing	DSCC/ISK
	Shorewood Water v SDS			
185, 185.1	Schwartzman/Barber v Chevron	Env.Contam		R&M
187	McGinnis Waste Site (Whalen case)	BI & PD		R&M
194	American Zinc Site (Tx)	Env.Contam.		MXS-E&P

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NON-ENV-NO.:			
Borough of Park Ridge case	Prod.Liab.		DSCC/OXY
Florida v Southern Solvents	Prod.Liab.		DSCC/OXY(?)
W. P. Ballard Co. claims	Prod.Liab.	C. Tisdale	DSCC/MXS
Pilgrim Enterprises claims	Prod.Liab.	N. Batey	DSCC/OXY
Hayhurst v Gateway	PD	R. Gladstone	GATEWAY/MXS
Gateway v Cyprus	Contract Indemn.	R. Gladstone	GATEWAY/MXS
Gateway Mine Reclamation/Bond	Reclamation	R. Gladstone	GATEWAY/MXS
Old O&G Property (Wyo., Mont., etc.)	Plug/Abandon/Contam.		MXS-E&P
(Except as expressly assumed by CLH)			
Hansford County	Env.Contam.		MXS-E&P
O & G wells	Maint./Plug/Abandon		MXS-E&P

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The following wells are located in Lake County, Ohio:

Midgard Energy Company Well Nos.:

Fee --	C-1 in Perry Township
	C-6 in Painesville Township
	C-9 in Painesville Township
Lease--	C-4 in Painesville Township
	C-5 in Painesville Township
	C-12 in Painesville Township
	C-13 in Painesville Township

C-2 in Painesville Township  
CL-2A in Painesville Township

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PROD.LIAB. BI CLAIMS:			
Agent Orange Claims	Prod.Liab.	M. Gordon	DSCC/MXS
Abarca v Adco, et al	"	R. Faulk	DSCC/MXS
Fuller v DOW, et al	"	"	"
Hickman v Mobil Oil, et al C-L-O-S-E-D	"	"	"
Kapetan v L-N-S, et al	"	"	"
Labombardo v Maxwell House, et al	"	J. Rasnek	DSCC/MXS
Larson v PPG, et al	"	"	"
Mathena v DSCC, et al	"	"	"
Overstreet v Exxon, et al	"	"	"
Mattie Lee Powell claim	"	"	"
Ross v Conoco, et al (VCM)	"	"	DSCC/OXY
Sabb v Hayward Pool, et al	"	J. Kosch	DSCC/MXS
Turner v Firestone, et al	"	"	DSCC/MXS
Vassar, Jr. v Air Products, et al (VCM)	"	"	DSCC/OXY
Woodward claim	"	B. Olsson	DSCC/MXS
BCME CLAIMS (from Redwood City Plant)	Employer's Liab.	R. Burgess	DSCC/MXS
Rosario, et al.			

PREMISES - ASBESTOS/OTHER

Allen/Hicks C-L-O-S-E-D		
Cleo Abbott v Appalachian Power	J. Beeson	
Stanley Abbott		
Charles Abrams v AC&S		
Ronnie Abrams v Appalachian Power	J. Beeson	
Lester Adams v Appalachian Power	J. Beeson	
Frank Adams v Amoco C-L-O-S-E-D		
Allcorn v Amoco	K. Wall	
Armstead v AC&S		
Bagley, et al	D. Ledyard	
Bently v Shell	"	
Borel v Texaco	"	
Forrestier v AC&S	"	
Jones v Clemtex	"	
Doug King v DuPont	K. Wall	
Russ King v DuPont	R. Faulk	
Conrad Korff	B. Worthington	
Taylor v AC&S		
Wolfe v Monsanto		

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OTHER:			
Alvarez v. ISK			DSCC/ISK
Insurance coverage case - DSCC v Anglo French		M. Tierney	
SDS Pension Plan dispute		Squire, Sanders	
Worker's Comp claims			
Charles Koch v Shell Oil, et al.		J. Jones	DSCC/OXY

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EXHIBIT 10.23

AUGUST 30, 1996

MAXUS ENERGY CORPORATION  
STOCK APPRECIATION RIGHTS PLAN  
"PROBAC"

## 1. ESTABLISHMENT AND PURPOSE

## 1.1 Establishment of the PLAN:

-----

Maxus Energy Corporation ("Maxus" or the "Company") has established this Stock Appreciation Rights Plan for selected officers and EMPLOYEES of the Company ("PROBAC"). The terms and provisions applicable thereto are listed hereinbelow.

## 1.2 Purpose:

-----

The PROBAC is intended to promote the interests of Maxus and its shareholders, by giving its top executive officers and other key EMPLOYEES, an incentive in the long term to work toward the continued growth and success of Maxus through the grants of stock appreciation rights ("SARs") with respect to YPF Sociedad Anonima's, the owner of all or substantially all of Maxus' common stock ("YPF"), common shares of stock. The Maxus Board of Directors also contemplates that the grants of SARs under the PROBAC will enhance Maxus' ability to attract and retain the highly skilled individuals necessary for its continued growth and success.

## 2. DEFINITIONS

Whenever used fully capitalized herein, the following terms shall have the specific meanings set forth below. The singular shall include the plural and vice versa whenever the context shall so require, and references to the masculine gender are for convenience and shall include the feminine gender.

BOARD shall mean Maxus' Board of Directors.

BONUS GUIDELINES shall mean the rules and figures included in the COMMUNICATION LETTER that enable the calculation of the AWARD granted to the PARTICIPANT under the PROBAC in the referenced PLAN YEAR and include the GRANT DATE, the number of SARs granted and the INITIAL VALUE.

CAUSE shall mean the PARTICIPANT's willful misconduct or gross negligence which is materially and demonstrably injurious to Maxus.

COMMITTEE shall mean the Compensation Committee of the BOARD.

<PAGE>

COMMUNICATION LETTER shall mean the letter whereby the PARTICIPANT is informed about his participation in the PLAN in a given PLAN YEAR and wherein the BONUS GUIDELINES applicable thereto are set.

DISABILITY shall mean a mental or physical disability of a PARTICIPANT, which is (i) permanent, and (ii) total or serious enough so as to prevent the PARTICIPANT from performing his material duties (with or without reasonable accommodation) as determined by a physician designated by Maxus.

EMPLOYEE shall mean any person working full time for Maxus not on an independent contractor basis.

EXERCISE DATE shall mean the occasion on which, according to this PLAN, the economic worth of a SAR previously granted to a PARTICIPANT is defined and the said SAR is extinguished.

EXERCISE VALUE shall mean, with respect to a specific SAR, one SHARE's average closing price for the last ten business days prior to the EXERCISE DATE of such SAR during which the SHARE was listed.

GRANT shall mean the occasion upon which a SAR is granted to a PARTICIPANT.

GRANT DATE shall mean the grant date specified in the COMMUNICATION LETTER.

INITIAL VALUE shall mean, with respect to a specific SAR, one SHARE's average closing price for the last ten business days prior to the GRANT DATE of such SAR during which the SHARE was listed. In cases of the EXERCISE VALUE and the INITIAL VALUE the value shall be made with reference to the closing prices published in the New York Stock Exchange Composite Report, failing which, it shall be made according to the same data published in another specialized publication.

PARTICIPANT shall mean upon his participation in the PROBAC in a given PLAN YEAR, those officers and EMPLOYEES of Maxus selected by the President to receive GRANTS of SARs under the PLAN.

PLAN shall mean this PROBAC, including any amendments thereto.

PLAN YEAR shall mean a calendar year under the PROBAC beginning on or after January 1, 1996. (It is understood that the first PLAN YEAR will be a partial calendar year which begins on the date this PLAN is established and ends on December 31, 1996.)

PRESIDENT shall mean the President and Chief Executive Officer of Maxus.

<PAGE>

RETIREMENT shall mean the TERMINATION OF EMPLOYMENT (when no CAUSE exists) decided by the PARTICIPANT (i) on or after reaching the age of 62, or (ii) between the age of 55 and 62, with the consent of the BOARD.

SAR shall mean each of the stock appreciation rights granted to a PARTICIPANT under the PROBAC.

SHARES shall mean YPF's Class "D" shares, par value of \$10 pesos each.

SPREAD shall mean any excess, if any of (i) the EXERCISE VALUE corresponding to the exercised SAR over (ii) the INITIAL VALUE corresponding to said SAR, except when the SPREAD on any EXERCISE DATE shall exceed 100% of the INITIAL VALUE corresponding to the relevant SAR, in which case the SPREAD shall be deemed to equal 100% of the said INITIAL VALUE.

TERMINATION FOR CAUSE shall mean the decision made by the competent corporate management authority, on the basis of the existence of CAUSE, to terminate the PARTICIPANT's employment at Maxus or its affiliates.

TERMINATION OF EMPLOYMENT shall mean the PARTICIPANT's departure from his employment at Maxus, including its affiliates.

### 3. PARTICIPATION

Only the PRESIDENT, if approved by the BOARD or COMMITTEE, and such EMPLOYEES as are appointed by the PRESIDENT will be PARTICIPANTS under the PROBAC for that PLAN YEAR. An EMPLOYEE's participation in the PROBAC in a given PLAN YEAR shall not entitle the EMPLOYEE to participate in the PROBAC in future PLAN YEARS nor to claim any other compensation whatsoever or other consequence for his exclusion.

### 4. AWARD GRANTS

#### 4.1 Procedure:

-----

As soon as reasonably practicable before or after the beginning of each PLAN YEAR, the BOARD or COMMITTEE, in the case of the PRESIDENT, and the PRESIDENT, in the case of all other PARTICIPANTS, shall consider the SARs to be granted to PARTICIPANTS. Should the GRANTS be decided, the PARTICIPANTS shall be informed of their respective GRANTS in a written communication signed by the PRESIDENT or other appropriate person. The said COMMUNICATION LETTER shall embody the BONUS GUIDELINES corresponding to the PARTICIPANT and will be accompanied or preceded by a copy of the PLAN and/or a prospectus relating thereto. In order to perfect the GRANT, the PARTICIPANT shall return an executed copy of the COMMUNICATION LETTER.

To the extent as may be required by Maxus' By-Laws, GRANTS shall be subject to the approval of the BOARD or COMMITTEE. Further, no PARTICIPANT shall

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be entitled to any SARs that are required to be registered under U.S. or Argentine securities laws (or payments in respect of any such SARs) unless such SARs have been so registered. Nothing in this PLAN shall require Maxus to register such SARs.

#### 4.2 Description of the Benefit:

-----

The benefit conferred under PROBAC is the right of a PARTICIPANT to receive from Maxus on each EXERCISE DATE an amount in cash equivalent to the SPREAD, if any, multiplied by the number of SARs granted to that PARTICIPANT deemed exercised on such occasion.

#### 4.3 Terms and Conditions of the SARs:

-----

Subject to the provisions of Sect 5 below, the SARs granted on a specific GRANT DATE shall be automatically exercised as follows: (i) on the third anniversary of that GRANT DATE, one-third of the SARs granted on said GRANT DATE shall be deemed automatically exercised and will be immediately paid in cash by Maxus to the PARTICIPANT, such one-third portion to be thereafter terminated, (ii) on the fourth anniversary of that GRANT DATE, one-third of the SARs granted on said GRANT DATE will be deemed automatically exercised and will be immediately paid in cash by Maxus to the PARTICIPANT, such one-third portion to be thereafter terminated, and (iii) on the fifth anniversary of that GRANT DATE, the remaining SARs granted on said GRANT DATE will be deemed automatically exercised and will be immediately paid in cash by Maxus to the PARTICIPANT, such remaining portion to be thereafter terminated. Nothing in the PLAN is intended to or shall be construed to entitle any PARTICIPANT to any SHARES. If the SPREAD as to any such SARs is not positive on such an anniversary, no payment shall be due with respect to the SARs deemed exercised on the applicable anniversary.

#### 4.4 Forfeiture of SARs:

-----

If, at the date of automatic exercise of a SAR, according to Subsection 4.3, 5.2 or 6.1, the applicable SPREAD is not positive, the applicable portion of said SAR shall be deemed to have been canceled and to have expired immediately prior to said date, there being no entitlement to nor payment in favor of the PARTICIPANT, nor any liability on the part of Maxus or any other party as concerns said PARTICIPANT, with respect to such canceled portion of said SARs.

#### 5. TERMINATION OF EMPLOYMENT

##### 5.1 TERMINATION OF EMPLOYMENT due to DISABILITY, Death, RETIREMENT or

-----  
Involuntary Termination:

-----

In case of TERMINATION OF EMPLOYMENT (i) due to the PARTICIPANT's RETIREMENT, DISABILITY or death or (ii) by a decision made by Maxus' competent management authority, grounded on any reason other than CAUSE,

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all SARs granted to the PARTICIPANT and not exercised at the date of such TERMINATION OF EMPLOYMENT shall be deemed automatically exercised and canceled in full and if the SPREAD is positive, will be immediately paid by Maxus to the PARTICIPANT. If the SPREAD as to such SAR is not positive on said date, no payment shall be due with respect to such SAR.

##### 5.2 Other Reasons for TERMINATION:

-----

Should the TERMINATION OF EMPLOYMENT occur as a consequence of TERMINATION FOR CAUSE or of a voluntary decision made by the PARTICIPANT, other than his RETIREMENT, DISABILITY or death and should the provisions of Subsection 5.1 not apply, all SARs granted to the PARTICIPANT not yet exercised at the date of such TERMINATION OF EMPLOYMENT shall be forfeited as concerns the PARTICIPANT and will be rendered fully void upon such TERMINATION OF EMPLOYMENT, without payment to the PARTICIPANT.

#### 6. OTHER PROVISIONS

##### 6.1 Plan Termination:

-----

The PROBAC shall continue in force until terminated by the BOARD. All SARs granted but not exercised at the date of such termination shall be deemed automatically and fully exercised and canceled as of said date and if the SPREAD is positive, will be immediately paid by Maxus to the PARTICIPANT, and as to any such SAR for which the SPREAD is not positive on such date, no payment shall be due.

##### 6.2 Plan Amendment:

-----

The BOARD may, in its sole discretion, amend the PLAN in whole or in part at any time, except that no amendment may adversely alter the rights of the PARTICIPANTS with respect to the SARs granted but not yet exercised as of the date of such amendment.

##### 6.3 Governing Law:

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 The PROBAC shall be construed in accordance with and governed by the laws of Texas.

#### 6.4 Withholding Taxes:

-----

Maxus shall deduct from all payments under the PROBAC any withholding taxes and/or any other tax (including FICA) required by law to be withheld with respect to any such payments.

#### 6.5 Removal:

-----

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No provision of this PROBAC shall interfere with, or limit in any way the right of Maxus to terminate with or without CAUSE the work relationship it has with any PARTICIPANT, or be construed to constitute a contract of employment with any PARTICIPANT or to employ a PARTICIPANT in any particular position or for any particular period.

#### 6.6 Nontransferability :

-----

No right or interest of any PARTICIPANT under a SAR or this PROBAC may be assigned or transferred, pledged or encumbered in any manner. Any attempt to assign, transfer, pledge or encumber any such right or interest shall not be effective as to, enforceable against or recognized by Maxus.

#### 6.7 Adjustment to SARs:

-----

In the event that at any time after the effective date of the PROBAC, the SHARES then outstanding are changed into or exchanged for a different number or kind of shares or other securities of YPF by reason of merger, consolidation, recapitalization, reorganization, reclassification, stock split, stock dividends, combination of shares, capital increase or reduction, change in the par value of the SHARES or the like, or if the market value per SHARE is subject to a technical adjustment as a result of such event or as a result of a dividend distribution or other distribution made with respect to the SHARES, the BOARD may make an appropriate and equitable adjustment in the number and/or INITIAL VALUE of all SARs outstanding in order to prevent the reduction or enlargement of a PARTICIPANT's benefits under a SAR as in effect immediately prior to such event. All decisions of the BOARD concerning such adjustments, or the lack of them, shall be final and binding for all PARTICIPANTS, Maxus and all other interested parties.

### 7. ADMINISTRATION OF THE PLAN

#### 7.1 Administration and Interpretation:

-----

The PROBAC shall be administered by the BOARD. Subject to the provisions of the PROBAC, the BOARD shall construe the PLAN and all GRANTS thereunder, shall draft any rules it may deem necessary for the proper administration thereof, shall make other determinations necessary or advisable for the administration of the PLAN and shall correct any defect or supply any omission and reconcile any inconsistency in the PLAN or in any right granted thereunder, in the manner and to the extent that the BOARD deems desirable to effectuate the PROBAC. Any action taken or determination made pursuant to the PROBAC shall be final and conclusive on all parties. A PARTICIPANT's acceptance of a grant of SARs and participation under the PROBAC shall imply his full acceptance of the PLAN and BONUS GUIDELINES, as well as his acknowledgment of the binding and conclusive nature of the determinations made by the BOARD.

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#### 7.2 Acceptance of Corporate Action:

-----

A PARTICIPANT shall have no right, by the mere fact of this participation in the PROBAC, to object to YPF's or Maxus' balance sheet, nor to question or oppose any corporate action by YPF or Maxus, notwithstanding its effect, if any, on the EXERCISE VALUE or market value of the SHARES or other ensuing consequences.

#### 7.3 No Claims:

-----

Without limiting Maxus' rights under Subjections 6.1 and 6.2 the termination or amendment of the PLAN shall give no right to any claim or compensaiton whatsoever on the part of any PARTICIPANT other than as specifically set forth herein or in a grant of a SAR.

#### 7.4 References

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All references to Sections or Subsections shall be deemed as references to Sections or Subsections here in unless otherwise expressly provided for.

#### 7.5 Captions:

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All captions in this PLAN are used merely for illustrative purposes and shall not be taken into account in the construction thereof.

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#### EXHIBIT 21.1

#### ORGANIZATIONAL LIST OF SUBSIDIARIES, MAXUS ENERGY CORPORATION

##### MAXUS ENERGY CORPORATION

Diamond Shamrock Europe Limited  
 Maxus Gas Marketing Company  
 Maxus Indonesia, Inc.  
     Maxus Northwest Java, Inc.  
         YPF Java Baratlaut B.V.  
 Maxus Southeast Sumatra Inc.  
     YPF Sumatera Tenggara B.V.  
 Maxus Offshore Exploration Company  
 Maxus (U.S.) Exploration Company  
 Wheeling Gateway Coal Company (Partner of Gateway Coal Company)

##### MAXUS INTERNATIONAL ENERGY COMPANY

Diamond Shamrock China Petroleum Limited  
 Maxus Aru Inc.  
 Maxus Bulgaria, Inc.  
 Maxus China (C.I.) Ltd.  
 Maxus Colombia, Inc.  
 Maxus Energy Global B.V.  
 Maxus Energy Trading Company  
 Maxus Fifi Zaitun, Inc.  
 Maxus International Services Company  
 Maxus Southeast Asia New Ventures, Inc.  
 Maxus Spain, Inc.  
 Maxus Tunisia Inc.  
 YPF Ecuador, Inc.

##### MIDGARD ENERGY COMPANY

##### MAXUS CORPORATE COMPANY

Diamond Gateway Coal Company (Partner of Gateway Coal Company)  
 Diamond Shamrock Venezolana, S.A.  
 Greenstone Assurance Ltd.  
 Leon Properties, Inc. (d/b/a Riverside Farms)  
 Maxus Realty Company  
 V.E.P. Corporation

##### PARTNERSHIP

Gateway Coal Company

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## EXHIBIT 23.1

## CONSENT OF INDEPENDENT ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statement on Form S-8 (No. 33-55938), as amended.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Dallas, Texas  
March 20, 1997

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## EXHIBIT 23.2

## CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-55938) of Maxus Energy Corporation of our report dated February 28, 1995 appearing on page F-26 of this Annual Report on Form 10-K.

/s/ Price Waterhouse LLP

PRICE WATERHOUSE LLP

Dallas, Texas  
March 20, 1997

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## EXHIBIT 24.1

## POWER OF ATTORNEY

THE STATE OF TEXAS

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF DALLAS

That the undersigned hereby constitutes and appoints Lynne P. Ciuba, H. R. Smith and David A. Wadsworth, and each of them, her true and lawful attorney or attorneys-in-fact with full power of substitution and resubstitution, for her and in her name, place and stead, to sign on her behalf as a director or officer, or both, as the case may be, of Maxus Energy Corporation (the "Corporation"), the Corporation's Form 10-K Annual Report pursuant to Section 13 of the Securities Exchange Act of 1934, as amended, for fiscal year ended December 31, 1996, and to sign any or all amendments to such Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney or attorneys-in-fact, and to each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done



in and about the premises, as fully to all intents and purposes as she might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

January 7, 1997  
-----

/s/ Charles L. Blackburn

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Charles L. Blackburn

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January 13, 1997  
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/s/ Cedric Bridger

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Cedric Bridger

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January 2, 1997  
-----

/s/ Linda R. Engelbrecht  
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Linda R. Engelbrecht

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January 1, 1997

/s/ George L. Jackson  
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George L. Jackson

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January 13 , 1997  
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/s/ Nells Leon  
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Nells Leon

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January 15 , 1997  
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/s/ James R. Lesch  
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James R. Lesch

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attorney or attorneys-in-fact, and to each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

January 27, 1997  
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/s/ W. Mark Miller  
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W. Mark Miller

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January 2, 1997  
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/s/ Roberto Monti  
-----

Roberto Monti

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THE STATE OF TEXAS

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COUNTY OF DALLAS

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therewith, with the Securities and Exchange Commission, granting unto said attorney or attorneys-in-fact, and to each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

January 7, 1997  
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/s/ P. Dexter Peacock  
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P. Dexter Peacock

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THE STATE OF TEXAS

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COUNTY OF DALLAS

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January 11, 1997  
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/s/ R. A. Walker  
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R. A. Walker

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EXHIBIT 24.2

# POWER OF ATTORNEY

THE STATE OF TEXAS

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF DALLAS

That the undersigned, Maxus Energy Corporation, hereby constitutes and

appoints Lynne P. Ciuba, H. R. Smith a David A. Wadsworth, and each of them the true and lawful attorney or attorneys-in-fact with full power of substitution and resubstitution, to sign on the Corporation's behalf the Form 10-K Annual Report of the Corporation, pursuant to Section 13 of the Securities Exchange Act of 1934, as amended, for fiscal year ended December 31, 1996, and to sign any or all amendments to such Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney or attorneys-in-fact, and to each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

MAXUS ENERGY CORPORATION

/s/Roberto Monti

Roberto Monti  
President and Chief Executive  
Officer

January 2 , 1997

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ACCESSION NUMBER: 0000950112-95-001698

CONFORMED SUBMISSION TYPE: SC 13D/A

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SROS: NONE

GROUP MEMBERS: YPF ACQUISITION CORP.

GROUP MEMBERS: YPF SOCIEDAD ANONIMA

SUBJECT COMPANY:

COMPANY DATA:

COMPANY CONFORMED NAME: MAXUS ENERGY CORP /DE/  
CENTRAL INDEX KEY: 0000724176  
STANDARD INDUSTRIAL CLASSIFICATION: CRUDE PETROLEUM & NATURAL GAS [1311]  
IRS NUMBER: Non-Responsive  
STATE OF INCORPORATION: DE  
FISCAL YEAR END: 1231

FILING VALUES:

FORM TYPE: SC 13D/A  
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BUSINESS ADDRESS:

STREET 1: 717 N HARWOOD ST- RM 3147  
CITY: DALLAS  
STATE: TX  
ZIP: 75201-6594  
BUSINESS PHONE: 2149532000

FORMER COMPANY:

FORMER CONFORMED NAME: DIAMOND SHAMROCK CORP /DE/  
DATE OF NAME CHANGE:19870518

FORMER COMPANY:

FORMER CONFORMED NAME: NEW DIAMOND CORP  
DATE OF NAME CHANGE:19830908

FILED BY:

COMPANY DATA:

COMPANY CONFORMED NAME: YPF SOCIEDAD ANONIMA  
CENTRAL INDEX KEY: 0000904851  
STANDARD INDUSTRIAL CLASSIFICATION: CRUDE PETROLEUM & NATURAL GAS [1311]  
IRS NUMBER: 521612271  
STATE OF INCORPORATION: C1  
FISCAL YEAR END: 1231

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FORM TYPE: SC 13D/A

BUSINESS ADDRESS:

STREET 1: AVENIDA PTE R SAENZ 777-8 PISO  
CITY: BUENOS AIRES 1364 AR  
STATE: C1  
BUSINESS PHONE: 5413267265

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

-----  
SCHEDULE 13D  
Under the Securities Exchange Act of 1934  
(Amendment No. 2)\*  
-----

Maxus Energy Corporation  
(Name of Issuer)  
-----

Common Stock, Par Value \$1.00 Per Share  
(Title of Class of Securities)  
-----

577730 10 4  
(CUSIP Number)  
-----

Mr. Nells Leon  
YPF Sociedad Anonima  
Avenida Pte. Roque Saenz Pena 777  
1364 Buenos Aires, Argentina  
Telephone: (011) (541) 329-2000

(Name, Address and Telephone Number of Person Authorized to Receive Notices  
and Communications)

Copy to:

P. Dexter Peacock, Esq.  
Andrews & Kurth L.L.P.  
4200 Texas Commerce Tower  
Houston, Texas 77002  
Telephone: (713) 220-4200

June 8, 1995  
(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box ☐.

Check the following box if a fee is being paid with the statement ☐.

Note: Six copies of this statement, including all exhibits, should be filed with the Commission. See Rule 13d-1(a) for other parties to whom copies are to be sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Exchange Act") or otherwise subject to the liabilities of that section of the Exchange Act but shall be subject to all other provisions of the Exchange Act (however, see the Notes).

&lt;PAGE&gt;

## SCHEDULE 13D

CUSIP NO. 577730 10 4 PAGE 2 OF 14 Pages

- 1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON  
  
YPF Acquisition Corp.
- 2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP \*  
(a) ☐  
(b) ☐
- 3 SEC USE ONLY
- 4 SOURCE OF FUNDS\*  
SC; BK; AF
- 5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) or 2(e) ☐
- 6 CITIZENSHIP OR PLACE OF ORGANIZATION  
  
Delaware
- 7 SOLE VOTING POWER  
NUMBER OF 0  
SHARES
- 8 SHARED VOTING POWER  
BENEFICIALLY OWNED 0  
BY EACH  
REPORTING  
PERSON
- 9 SOLE DISPOSITIVE POWER  
WITH 0
- 10 SHARED DISPOSITIVE POWER  
0
- 11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  
0
- 12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES  
CERTAIN SHARES\* ☐
- 13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  
0%
- 14 TYPE OF REPORTING PERSON\*  
  
CO

\*SEE INSTRUCTION BEFORE FILLING OUT!

&lt;PAGE&gt;

## SCHEDULE 13D

CUSIP NO. 577730 10 4 PAGE 3 OF 14 Pages

- 1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

YPF Sociedad Anonima

- 2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP \*
- (a) ☐ [ ]
- (b) ☐ [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS\*

WC; SC; BK; AF

- 5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) or 2(e) ☐ [ ]

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Argentina

- |  |    |                                       |
|--|----|---------------------------------------|
| NUMBER OF<br>SHARES<br>BENEFICIALLY<br>OWNED<br>BY EACH<br>REPORTING<br>PERSON<br>WITH | 7  | SOLE VOTING POWER<br>135,609,772      |
|  | 8  | SHARED VOTING POWER<br>0              |
|  | 9  | SOLE DISPOSITIVE POWER<br>135,609,772 |
|  | 10 | SHARED DISPOSITIVE POWER<br>0         |
- 11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
- 135,609,772
- 12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES  
CERTAIN SHARES\* ☐ [ ]
- 13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
- 100.0%
- 14 TYPE OF REPORTING PERSON\*
- CO

\*SEE INSTRUCTION BEFORE FILLING OUT!

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This Amendment No. 2 amends the Schedule 13D (the "Schedule 13D"), dated April 11, 1995 as amended on April 13, 1995, originally filed in connection with the acquisition by YPF Acquisition Corp., a Delaware corporation (the "Purchaser"), and YPF Sociedad Anonima, a sociedad anonima (stock corporation) organized under the laws of the Republic of Argentina ("YPF"), of the outstanding shares of common stock, par value \$1.00 per share, of Maxus Energy Corporation, a Delaware corporation ("Maxus" or the "Company"), pursuant to a tender offer (the "Offer"). Unless otherwise defined herein, all terms used herein shall have the meanings set forth in the Schedule 13D.

This Amendment No. 2 is made to reflect the material changes brought about on June 8, 1995 upon the merger of the Purchaser with and into Maxus (the "Merger") as well as subsequent changes in the financing of the Merger.

Item 2. Identity and Background  
-----

Item 2 of the Schedule 13D is hereby amended to add the following sentence following the sixth paragraph as the seventh paragraph:

On June 8, 1995, the Purchaser was merged with and into Maxus pursuant to the Merger Agreement (defined below). Accordingly, the Purchaser ceased to exist as a separate entity. As a result of the merger of the Purchaser and Maxus, all outstanding Shares of Maxus, the surviving corporation, became directly owned by YPF as described below.

Section 2 of Schedule I of the Schedule 13D is also hereby amended and restated to read in its entirety as set forth in Schedule I attached to this Amendment No. 2 to reflect the current officers and directors of YPF.

Item 3. Source and Amount of Funds or Other Consideration

Item 3 of the Schedule 13D is hereby amended and restated to read in its entirety:

On February 28, 1995, Maxus, YPF Acquisition Corp., a Delaware corporation (the "Purchaser") and YPF entered into an Agreement of Merger (the "Merger Agreement") pursuant to which (i) the Purchaser agreed to make a cash tender offer (the "Offer") for all the issued and outstanding Shares for \$5.50 per Share in cash and (ii) subject to the satisfaction of certain conditions, including the condition that Shares representing at least a majority of the Voting Shares (as defined below) of Maxus, on a fully diluted basis, were validly tendered pursuant to the Offer, the Purchaser and Maxus agreed that the Purchaser would be merged with and into Maxus (the "Merger") as soon as practicable following the satisfaction of such conditions.

The Offer expired at midnight on March 30, 1995. On March 31, 1995, YPF announced that the Purchaser would accept for purchase all Shares validly tendered and not withdrawn prior to the expiration of the Offer.

The total amount of funds required by the Purchaser to acquire the entire common equity interest in the Company, including the purchase of Shares pursuant to the Offer and the payment for Shares converted into the right to receive cash pursuant to the Merger, and to pay related fees and expenses, is expected to be approximately \$800 million. On April 5, 1995, the Purchaser entered into a credit agreement (the "Credit Agreement") with lenders for which The Chase Manhattan Bank (National Association) ("Chase") acts as agent, pursuant to which the lenders extended to the Purchaser a \$550 million credit facility (the "Purchaser Facility"). On April 5, 1995, the Purchaser borrowed \$442.2 million under the Purchaser Facility and received a capital contribution of \$250 million from YPF. On April 5, 1995, the Purchaser used borrowings under the Purchaser Facility and the funds contributed to it by YPF to purchase 119,339,683 Shares pursuant to the Offer.

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On April 13, 1995, the depository, The Chase Manhattan Bank (National Association), notified YPF and the Purchaser that, upon final tabulation, an additional 660,930 Shares had been properly tendered and not withdrawn prior to the expiration of the Offer. The Purchaser took delivery of these additional Shares and delivered the purchase price for the additional Shares on April 13, 1995. The \$3.6 million purchase price for such additional Shares was paid out of funds previously borrowed on April 5, 1995 under the Purchaser Facility.

Pursuant to a commitment letter from Chase (the "Commitment Letter"), Chase agreed to provide two additional credit facilities aggregating \$425 million: (i) a credit facility of \$250 million to be extended to Midgard Energy Company ("Midgard"), a wholly owned subsidiary of the Company, and (ii) a credit facility of \$175 million to be extended to certain other subsidiaries of the Company as described below.

On June 8, 1995, the Purchaser was merged with and into Maxus. Midgard entered into a Credit Agreement, dated June 8, 1995 (the "Midgard

Facility"), pursuant to which a loan of \$250 million was extended to Midgard. The proceeds of the Midgard Facility were used to repay, in part, the Purchaser Facility at the time of the filing of the Certificate of Merger with the Secretary of State of the State of Delaware (the "Effective Time"). In addition, approximately \$8 million of the loans outstanding under the Purchaser Facility, which was assumed by Maxus, including accrued interest on the Purchaser Facility loans, was repaid on June 8, 1995 from cash held by the Company. At this time, the Purchaser Facility was extended to June 16, 1995.

Maxus Indonesia, Inc. ("Holdings") entered into a Credit Agreement, dated June 16, 1995 (the "Subsidiaries Facility"), pursuant to which a loan of \$175 million was extended to Holdings. The proceeds of the Subsidiaries Facility were used to repay the outstanding portion of the Purchaser Facility on June 16, 1995. The approximately \$85.9 million to be paid to the holders of the 15,609,159 Shares that were converted into the right to receive cash in the Merger will be paid by the Company from available cash. Chase arranged the various syndicates of commercial banks, financial institutions and other investors to provide a portion of the Midgard Facility and the Subsidiaries Facility and acts as the agent for such lenders in connection with each of these facilities.

The following is a description of the principal terms of the Midgard Facility and the Subsidiaries Facility.

**Midgard Facility.** Approximately \$250 million of the loans under the Purchaser Facility was repaid on June 8, 1995 with funds provided to the Company by Midgard. Midgard provided the funds from the proceeds of a loan of \$250 million (the "Midgard Loan") pursuant to the Midgard Facility. The Midgard Loan was made in a single drawing, will mature on December 31, 2003 and will be repaid in up to 28 consecutive quarterly installments commencing on March 31, 1997, subject to semi-annual borrowing base redeterminations. At Midgard's option, the interest rate applicable to the Midgard Loan will be, until March 31, 1997, either (i) the one-, two- or three-month London Interbank Offered Rate plus a margin of 1 3/4% or (ii) the Base Rate (as defined in the Midgard Facility) plus a margin of 3/4% and, thereafter, either (iii) the one-, two- or three-month London Interbank Offered Rate plus a margin of 2 1/4% or (iv) the Base Rate plus a margin of 1 1/4%. The Midgard Loan is not secured but is guaranteed by YPF and the Company. The agreement evidencing the Midgard Loan contains, among other things, a negative pledge on all assets of Midgard, subject to customary exceptions. It is anticipated that the Midgard Loan will be repaid with funds generated by Midgard's business operations.

**Subsidiaries Facility.** Approximately \$175 million of the Purchaser Facility was repaid with funds provided on June 16, 1995 to the Company by Holdings. Holdings provided these funds from the proceeds of a loan of \$175 million (the "Subsidiaries Loan") made to it pursuant to the Subsidiaries Facility. The Subsidiaries Loan was made in a single drawing on June 16, 1995, will mature on December 31, 2002 and will be repaid in up to 24 consecutive quarterly installments

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commencing on March 31, 1997, subject to semi-annual borrowing base redeterminations. At the option of Holdings, the interest rates applicable to the Subsidiaries Loan will be, until March 31, 1997, either (i) the one-, two- or three-month London Interbank Offered Rate plus a margin of 2 1/4% or (ii) the Base Rate (as defined in the Subsidiaries Facility) plus a margin of 1 1/4% and, thereafter, either (iii) the one-, two- or three-month London Interbank Offered Rate plus a margin of 2 3/4% or (iv) the Base Rate plus a margin of 1 3/4%. The Subsidiaries Loan to Holdings is secured by the stock of Maxus Northwest Java, Inc. ("Java") and Maxus Southeast Sumatra, Inc. ("Sumatra") (collectively, the "Holdings Subsidiaries") and by the interest of Holdings, Java and Sumatra in certain accounts maintained at Chase into which the proceeds of sales of hydrocarbons are to be deposited, and is guaranteed by Java, Sumatra, YPF and the Company. The agreement evidencing the Subsidiaries Loan contains a negative pledge on all of the other assets of Holdings, subject to customary exceptions. It is anticipated that the Subsidiaries Loan will be repaid with funds generated by the Holdings Subsidiaries' business

operations.

Prepayment. Each of the Midgard Loan and the Subsidiaries Loan (collectively, the "Loans") may be prepaid in whole or in part without premium or penalty, except for costs associated with the prepayment of any portion of a Loan bearing interest at a rate determined by reference to the London Interbank Offered Rate prior to the end of any applicable interest period.

YPF and Maxus Guarantees. YPF and Maxus have each guaranteed the repayment of the Midgard Facility and the Subsidiaries Facility. Copies of the YPF Guarantee Agreements with respect to the Midgard Facility and the Subsidiaries Facility are attached hereto as Exhibits G and H, respectively.

#### Item 4. Purpose of Transaction

Item 4 of the Schedule 13D is hereby amended and restated in its entirety to read as follows:

In mid-1994, YPF's Board of Directors adopted the goals of becoming an internationally diversified oil and gas company with significant assets outside Argentina and obtaining management personnel skilled and experienced in exploring for and producing oil and gas internationally. YPF believes that Maxus presents a good fit with its goals. Accordingly, YPF and the Purchaser entered into the Merger Agreement, and made the Offer pursuant to the terms of the Merger Agreement, for the purpose of acquiring all of the outstanding Shares.

##### (a) Acquisition and disposition of securities of Maxus.

On February 28, 1995, YPF, Maxus and the Purchaser entered into the Merger Agreement pursuant to which, as described in Item 3 above, the Purchaser commenced the Offer. The Offer expired at midnight on March 30, 1995. The Purchaser took delivery of 119,339,683 Shares, representing approximately 88.0% of the issued and outstanding Shares as of such date, and delivered the purchase price for them on April 5, 1995. On April 13, 1995, the Purchaser was notified by the depositary that an additional 660,930 Shares had been validly tendered and not withdrawn prior to the expiration of the Offer. The Purchaser took delivery of all such additional Shares and delivered the purchase price therefor on such date. As a result, the Purchaser owned an aggregate of 120,000,613 Shares, or an aggregate of approximately 88.5% of the issued and outstanding Shares. Pursuant to the Merger Agreement, Maxus, the Purchaser and YPF agreed to cause the merger of the Purchaser with and into Maxus as soon as practicable following the purchase of Shares pursuant to the Offer. Pursuant to the Delaware General Corporation Law ("DGCL") and the Company's Restated Certificate of Incorporation (the "Certificate"), the approval and adoption of the Merger required the affirmative vote of the holders of a majority of the combined voting power of the outstanding Shares and \$4.00 Cumulative Convertible Preferred Stock (collectively, the "Voting Shares"), voting together as a single class. Following the Offer, the Purchaser owned an aggregate of approximately 85.7% of the Voting Shares.

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The Merger was consummated on June 8, 1995, at which time the Purchaser was merged with and into the Company. YPF became the sole holder of the Shares after the Merger (except to the extent that holders of outstanding options and warrants may exercise such options and warrants for Shares, or holders of shares of the Company's \$4.00 Cumulative Convertible Preferred Stock (the "\$4.00 Preferred Stock") may exercise their rights to convert shares of \$4.00 Preferred Stock into Shares). The holders of Shares as of the Effective Time (other than YPF and those who perfected appraisal rights under Section 262 of the DGCL) were given the right to receive \$5.50 in cash, without interest, for each Share held immediately prior to the Merger. All outstanding shares of the Company's preferred stock remain outstanding and have the identical powers, preferences, rights, qualifications, limitations and restrictions as such shares of preferred stock previously had (including, in the case of the \$4.00 Preferred Stock, the right to convert into Shares), except for certain

changes to the terms of the \$9.75 Cumulative Convertible Preferred Stock (the "\$9.75 Preferred Stock") as agreed to by the holder of the \$9.75 Preferred Stock as described below in Item 6. Outstanding options or warrants to acquire Shares that were not exercised prior to the Effective Time, or surrendered in the case of employee or director stock options, remain outstanding and have the identical terms as such options and warrants previously had.

(b) Merger of Purchaser and Maxus.

Pursuant to the terms of the Merger Agreement, the Purchaser merged with and into Maxus on June 8, 1995. Certain effects of the Merger Agreement and the Merger are described in this Item 4.

(c) Sales or transfers of material amounts of assets of Maxus or its subsidiaries.

YPF is engaged in a comprehensive review of Maxus' business and operations, which may or may not result in sales or transfers of material amounts of assets, and YPF and Maxus have received numerous proposals from third parties regarding the purchase of various assets of Maxus. However, YPF is not currently considering any specific plans or proposals for the sale or transfer of a material amount of Maxus' assets.

(d) Change in the present Board of Directors and management of Maxus.

The Merger Agreement provides, among other things, that so long as YPF and/or any of its direct or indirect wholly owned subsidiaries own a majority of the outstanding Voting Shares, YPF is entitled, subject to compliance with applicable law and the Certificate, to designate at its option up to that number of directors, rounded up to the nearest whole number, of the Company's Board of Directors (the "Board") as will make the percentage of the Company's directors designated by YPF equal to the percentage of outstanding Voting Shares held by YPF and any of its direct or indirect wholly owned subsidiaries. The Company agreed that it would, upon the request of YPF, promptly increase the size of its Board and/or use its reasonable best efforts to secure the resignation of such number of directors as is necessary to enable YPF's designees to be elected to the Board and to use its reasonable best efforts to cause YPF's designees to be so elected, subject to Section 14(f) of the Exchange Act; except that, prior to the Effective Time, the Company would use its reasonable best efforts to assure that the Board always had (at its election) at least three members who were directors of the Company as of February 28, 1995. At such times, the Company agreed to use its reasonable best efforts, subject to any limitations imposed by applicable law or rules of the New York Stock Exchange (the "NYSE"), to cause persons designated by YPF to constitute the same percentage as such persons represent on the Board of (i) each committee of the Board, (ii) each board of directors or board of management of each subsidiary of the Company, and (iii) each committee of each such board.

The Purchaser's ownership of approximately 85.7% of the outstanding Voting Shares prior to the Merger entitled it to be represented on the Board pursuant to the above-described provision, and the Purchaser designated five persons, Messrs. Jose A. Estenssoro, Cedric Bridger, Peter

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Gaffney, James R. Lesch and P. Dexter Peacock (collectively, the "Designees") to serve on the Board. All of the then directors of the Company, except Messrs. Charles L. Blackburn, George L. Jackson and R.A. Walker, submitted their resignations from the Board on April 21, 1995 (the "Election Date") and, effective upon such resignations, the remaining directors on the Board elected the Designees to the Board to fill the vacancies created thereby. As a result of the foregoing, the Board consisted of the five Designees, and Messrs. Blackburn, Jackson and Walker, with five vacancies. Mr. Nells Leon was designated by YPF and appointed to the Board of Maxus following the death of Mr. Estenssoro in May, 1995.

Certain additional information relating to the election of the Designees is contained in the information statement filed by the Company

pursuant to Rule 14f-1 under the Exchange Act (the "14f-1 Information Statement") with the Securities and Exchange Commission (the "Commission") and mailed on or about April 11, 1995 to Stockholders of record as of April 4, 1995.

On April 7, 1995, all of the Company's eight executive officers gave notice of their intent to resign under circumstances in which they had the right to receive certain prenegotiated severance payments. In order to facilitate the transition following such event, the Company and its executive officers agreed that the executive officers would continue to work for the Company in their then-present positions at their then-current level of compensation until June 30, 1995 or until otherwise mutually agreed. The Company also agreed to pay the executive officers such severance payments and paid seven of such severance payments on April 12, 1995. Effective as of June 1, 1995, Mr. David A. Wadsworth, formerly Associate General Counsel of the Company, was named Vice President, Legal, Mr. M.J. Gentry, formerly Vice President, Administration of the Company, was named Vice President, Finance and Administration and Chief Financial Officer, and Mr. Mark Miller, formerly a general manager of the Company, was named Vice President, Operations and Planning.

Mr. Charles L. Blackburn resigned as Chairman, President and Chief Executive Officer of the Company on April 21, 1995. YPF asked Mr. Blackburn to become an international consultant to YPF and to remain a director of the Company. Under a two-year arrangement, Mr. Blackburn will be available to render consulting services for a minimum of 60 days per year and will be paid a retainer of \$180,000 per year. Mr. Blackburn will also be paid \$3,000 per day for each day in excess of 60 days per year in which he renders consulting services for YPF. He will also be provided offices in Dallas and Buenos Aires.

On April 21, 1995, Mr. Peter Gaffney, a Designee, was named the interim President and Chief Executive Officer of the Company. Mr. Gaffney will receive \$50,000 per month and will be eligible to participate in the Company's benefit plans for executive officers. This six-month arrangement between Mr. Gaffney and YPF is renewable upon mutual agreement.

Immediately prior to the Effective Time, the Board of Directors of the Purchaser consisted of Messrs. Le n, Bridger, Gaffney, Lesch and Peacock. Pursuant to the Merger Agreement, at the Effective Time, the directors of Purchaser immediately prior to the Effective Time became the directors of the Company and the officers of the Company immediately prior to the Effective Time remained the officers of the Company, and in each case will remain in such positions until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Company's Certificate, By-Laws and the DGCL. Messrs. Blackburn, Jackson and Walker were elected as directors of the Company immediately following the Effective Time.

(e) Material changes in present capitalization and dividend policy of Maxus.

YPF and the Company have made material changes in the capitalization of the Company through the assumption of the debt described in Item 3 above. In addition, pursuant to the Merger Agreement, in the event that the Company is unable to meet its obligations as they come due,

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whether at maturity or otherwise, including, solely for the purposes of this undertaking, dividend and redemption payments with respect to the Preferred Stock, YPF has agreed to capitalize the Company in an amount necessary to permit the Company to meet such obligations; provided, however, that YPF's aggregate obligation will be (i) limited to the amount of debt service obligations under the Midgard Facility and the Subsidiaries Facility and (ii) reduced by the amount, if any, of capital contributions received by the Company after the Effective Time and the net proceeds of any sale by the Company of common stock or non-redeemable preferred stock after the Effective Time. The foregoing obligations of YPF will survive until June 8, 2004.



Effective as of June 8, 1995, YPF guaranteed the Company's outstanding long-term debt. The long-term debt to be covered by the YPF guarantee is the Company's outstanding 11 1/4%, 11 1/2% and 8 1/2% Sinking Fund Debentures, its outstanding 9 7/8%, 9 1/2% and both series of its 9 3/8% Notes, and its outstanding medium-term notes (the "Company Indenture Securities"). A copy of the Guarantee Agreement, dated June 8, 1995, of YPF in connection with the Company Indenture Securities is attached hereto as Exhibit F.

YPF has guaranteed, effective as of June 8, 1995, the payment and performance of Maxus' obligations to the holders of the \$9.75 Preferred Stock, including the obligation to pay quarterly dividends and to redeem shares under certain circumstances.

YPF has no present plans or proposals which relate to or would result in a material change in the dividend policy of the Company.

(f) Other material changes in the Company's business or corporate structure.

YPF expects the Company's business will continue to be conducted in its current corporate form, and it is intended that Maxus would act as YPF's international exploration and production arm.

(g) Changes in the Company's charter, by-laws or instruments corresponding thereto or other actions which may impede the acquisition of control of the Company by any person.

While YPF reserves the right to take or recommend such actions as it may consider desirable in light of its ongoing review of the businesses and operations of Maxus and Maxus' subsidiaries, YPF has no present plans or proposals which relate to further changes in the Company's Certificate, By-Laws or Instruments corresponding thereto which may impede the acquisition of control of the Company by any person or other actions which may impede the acquisition of control of the Company by any person.

(h) and (i) Delisting of securities of the Company; Termination of registration pursuant to Section 12(g)(4) of the Act.

The Shares have been delisted from the NYSE, the Pacific Stock Exchange and all foreign securities exchanges on which the Shares were listed. The Shares are currently registered under the Exchange Act. Registration of the Shares under the Exchange Act may be terminated upon application by the Company to the Commission if the Shares are not listed on a national securities exchange and there are fewer than 300 record holders of the Shares. YPF expects to seek or cause the Company to make an application for termination of registration of the Shares. Termination of registration of the Shares under the Exchange Act would not affect the registration of the \$4.00 Preferred Stock and the \$2.50 Preferred Stock under the Exchange Act, the holders of which would continue to be entitled to information required to be furnished to them thereunder. Termination of registration of the Shares would reduce substantially the information required to be furnished by the Company to holders of Shares and would make certain provisions of the Exchange Act, including the requirement of furnishing a proxy statement or information statement in connection with stockholders' meetings pursuant to Section 14(a) and the requirements of Rule 13e-3 under

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the Exchange Act with respect to "going private" transactions, no longer applicable to the Shares. The requirements under the Exchange Act with respect to the Company's other registered securities, however, would continue to be applicable.

YPF and the Company agreed to use their respective reasonable efforts to continue the listing on the NYSE of the series of Preferred Stock which are currently listed on such Exchange, or, if any such series were delisted, to cause such series of the Preferred Stock to be listed on another national securities exchange within the United States or admitted

to trading with the National Association of Securities Dealers Automated Quotation ("NASDAQ") National Market and on other organized securities markets in such foreign jurisdictions in which such shares are presently traded. Notwithstanding anything in the Merger Agreement to the contrary, the obligations of the Company and YPF regarding continued listing of the Preferred Stock will survive the Effective Time with respect to any series of Preferred Stock until such time as the aggregate market value of all outstanding shares of such series is less than \$2 million or the number of outstanding shares of such series is less than 100,000.

Pursuant to the rules of the NYSE, the \$4.00 Preferred Stock was delisted from the NYSE when the Shares were delisted on June 8, 1995. The \$4.00 Preferred Stock began trading on the NASDAQ National Market on June 9, 1995 and continues to be registered under the Exchange Act. The Company's \$2.50 Preferred Stock and the 8 1/2% Sinking Fund Debentures Due April 1, 2008 (the "8 1/2% Debentures") remain registered under the Exchange Act and listed on the NYSE. Although the registration of the Shares under the Exchange Act is expected to be terminated, registration under the Exchange Act of the \$4.00 Preferred Stock, the \$2.50 Preferred Stock, the 8 1/2% Debentures or other securities of the Company is expected to continue. Accordingly, the Exchange Act requirement that the Company file periodic reports will remain applicable as long as the \$4.00 Preferred Stock, the \$2.50 Preferred Stock, the 8 1/2% Debentures or the other securities of the Company continue to be registered under the Exchange Act.

The Exchange Act provides that registration of the \$4.00 Preferred Stock, the \$2.50 Preferred Stock or the 8 1/2% Debentures may be terminated upon application by the Company to the Commission if such class of securities is not listed on a national securities exchange and there are fewer than 300 record holders of such class of securities. Termination of registration of any such class of securities would reduce substantially the information required to be furnished by the Company to holders of such class of securities. Termination of registration of the \$4.00 Preferred Stock or the \$2.50 Preferred Stock would make certain provisions of the Exchange Act, including the requirement of furnishing a proxy statement or information statement pursuant to Section 14(a) in connection with stockholders' meetings and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions, no longer applicable to such class of securities. If registration of any such class of securities under the Exchange Act were to be terminated, such class of securities would no longer be "margin securities" or be eligible for listing on the NYSE or NASDAQ National Market, as the case may be.

Item 5. Interest in Securities of the Issuer

Item 5(a) and (b) of Schedule 13D is hereby amended and restated in its entirety:

(a) and (b) Following the Merger, YPF has sole voting and dispositive power over 135,609,772 Shares, which represents approximately 100.0% of the outstanding Shares and 96.9% of the outstanding Voting Shares.

Item 7. Material to be Filed As Exhibits

Item 7 is hereby amended to add the following exhibits, which are filed hereto with this Amendment No. 2:

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Exhibit F Guarantee Agreement, dated June 8, 1995, of YPF Sociedad Anonima in connection with the Company Indenture Securities.

Exhibit G YPF Guarantee Agreement, dated June 8, 1995, between YPF Sociedad Anonima and The Chase Manhattan Bank (National Association) as agent for the lenders under the Midgard Facility.

Exhibit H YPF Guarantee Agreement, dated June 16, 1995, between YPF

Sociedad Anonima and The Chase Manhattan Bank (National Association) as agent for the lenders under the Subsidiaries Facility.

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SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: June 19, 1995

YPF SOCIEDAD ANONIMA

By: /s/ Cedric Bridger

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Cedric Bridger  
Vice President, Finance and  
Corporate Development

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SCHEDULE I

DIRECTORS AND EXECUTIVE OFFICERS

2. Directors and Executive Officers of YPF. The following table sets

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forth the name, business address and present principal occupation or employment, and material occupations, positions, offices or employments for the past five years of each director and executive officer of YPF. Unless otherwise indicated, the current business address of each such person is c/o YPF--Directorio, Avenida Pte. Roque Saenz Pena 777, 1364 Buenos Aires, Argentina, and each occupation set forth opposite an individual's name refers to employment with YPF. Each such person is a citizen of the Republic of Argentina, unless otherwise indicated.

Name	Present Principal Occupation Or Employment and Current Business Address; Material Positions Held During The Past Five Years and Business Addresses Thereof
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Nells Leon                      Director since 1991, President since May, 1995, Executive Vice President from 1990 to 1995. He was Vice President of Operations of Sol Petroleo S.A. from 1987 to 1990.

Mario L. Pineiro                Director since 1992. He retired in 1992 as CEO of Alejandro Llauro e Hijos S.A., where he served for many years. Mr. Pineiro is also a director of Transportadora de Gas del Sur S.A.

Miguel Madanes                 Director since 1993 and Executive Vice President since May, 1995. Presently involved in the cable television industry in Argentina and Brazil. Previously a Director of YPF from 1991 to 1992. He served as the CEO of Fate S.A. from 1971 until 1991.

Bayless A. Manning             Director since 1993. Director of IBJ Schroder Bank & Trust Company. Currently serves as a consultant. Partner of Paul, Weiss, Rifkind, Wharton & Garrison from 1977 until 1990. Mr. Manning is a citizen of the United States of America.

Carlos de la Vega               Director since 1993. Presently Director of Institutional Relations and Human Resources of CIBA-Geigy Argentina. President of the Argentine Chamber of Commerce from 1988 to 1993. He was also President of the Ibero-American Association of Chambers of Commerce from 1990 to 1992.

James R. Lesch                 Director since 1993. Mr. Lesch is currently retired. He was Chief Executive Officer (1979-1986) and Chairman of the Board (1981-1986) of the Hughes Tool Company and he also served as Commissioner, State of Texas Department of Commerce (1988-1992). He previously served as Director of the American Petroleum Institute. Mr. Lesch is a citizen of the United States of America. His business address is P. O. Box 4442, Houston, Texas 77210.

Ernst Schneider                Director since 1993. Chairman of the Board of Leu Holding and Bank Leu Ltd. and a member of the Board of Directors of CS Holding Ltd. since 1993. Previously, he served as Vice Chairman and member of the Board of Credit Suisse. Mr. Schneider is a dual citizen of Switzerland and the United States of America.

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Hector A. Domeniconi           Director since 1993. Presently, Managing Director of DEXCOR, a consulting firm in Argentina. Held several positions in the Ministry of Economy of Argentina from 1990 through 1992.

Luis A. Prol                    Director since 1993. President of YPF Gas S.A. Held several positions in both Argentine Federal and Provincial governments, serving as Minister of the Treasury and Finance of the Province of Formosa from 1987 to 1989 and as Secretary of Hydrocarbons and Mining of the Ministry of Economy from 1991 to 1992.

Angel Cirasino                 Director since 1993. Assistant Secretary for Petrochemistry and Mining of the Ministry of Economy of the Province of Mendoza since 1991. He was Managing Partner of Motomar Cuyo Marketing S.R.L. from 1989 to 1991.

Rodolfo Alejandro Diaz	Director since 1994. Mr. Diaz is a lawyer and has private practices in Buenos Aires and Mendoza. He was the Republic of Argentina's Secretary of Labor from 1989 until 1991 and Labor Minister from 1991 until 1992.
Eduardo Petazze	Vice President, Refining and Marketing and Head of Restructuring Project since 1993. Previously, he served as Vice President of Exploration and Production from 1992 to 1993 and Head of the Restructuring Project since 1991. Joined YPF in 1983.
Marcelo Guiscardo	Vice President, Exploration and Production since 1993. Previously, he was associated with Exxon Corporation from 1979 to 1993.
Cedric Bridger	Vice President, Finance and Corporate Development since 1992. Before joining YPF, he was Marketing Manager for CVB Industrias Mecanicas in Brazil from 1989. He was associated with Hughes Tool Company from 1964 to 1989.
Carlos A. Olivieri	Vice President and General Controller since 1993. He was Controller and Director of Aerolineas Argentinas S.A. from 1991 to 1992, a Director of the Central Bank of Argentina in 1991 and an accountant with Arthur Andersen & Co. from 1974 to 1986.
Raul H. Oreste	Vice President, Human Resources since 1990. He was previously associated with YPF from 1943 to 1963 and from 1965 to 1977. From 1978 to 1990, Mr. Oreste was associated with Compania Naviera Perez Companc.
Juan A. Rodriguez	Vice President of Engineering and Technology since 1992. He joined YPF in 1990. From 1968 to 1990, he was associated with Hughes Tool Company of Argentina.
Juan J. Garaciya	Vice President, Purchasing, Contracts and Environmental Protection since 1992. Consultant from 1989 to 1990, when he joined YPF. He has previously served YPF in various capacities from 1941 to 1976 and from 1982 to 1988.
Norberto Noblia	Vice President, Legal Affairs since 1989. Previously, he was associated with the Sindicatura General de Empresas Publicas from 1975 to 1986.
Martin Paez-Allende	Vice President for Institutional Affairs since September 1994. From 1991 to 1994, he practiced law. Until 1991 he served as Vice President and member of the Board of Shell C.A.P.S.A. (Argentina).

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EXHIBIT F

GUARANTEE AGREEMENT

THIS GUARANTEE AGREEMENT ("Agreement"), dated June 8, 1995, of YPF Sociedad Anonima, a sociedad anonima (corporation) organized and existing under the laws of the Republic of Argentina, with principal executive offices located at Avenida Pte. R. Saenz Pena 777, 1364 Buenos Aires, Argentina (hereinafter called the "Guarantor"), in connection with (i) that certain Indenture dated as of April 1, 1978, of Maxus Energy Corporation, a corporation organized and existing under the laws of the State of Delaware (said corporation being hereinafter called the "Company" and said Indenture, as heretofore

supplemented, being hereinafter called the "1978 Indenture"); (ii) that certain Indenture dated as of May 1, 1983, of the Company (as heretofore supplemented, hereinafter called the "1983 Indenture"); (iii) that certain Indenture dated as of November 1, 1985, of the Company (hereinafter called the "1985 Indenture"); (iv) that certain Indenture dated as of April 1, 1988, of the Company (hereinafter called the "1988 Indenture"); (v) that certain Indenture dated as of November 1, 1990, of the Company (hereinafter called the "1990 Indenture" and, collectively with the 1978 Indenture, the 1983 Indenture, the 1985 Indenture and the 1988 Indenture, the "Company Indentures"); in favor of each registered holder from time to time of (a) 8 1/2% Sinking Fund Debentures due April 1, 2008, issued and outstanding on the date hereof under the 1978 Indenture, (b) 11 1/4% Sinking Fund Debentures due May 1, 2013, issued and outstanding on the date hereof under the 1983 Indenture, (c) 11 1/2% Sinking Fund Debentures due November 15, 2015, issued and outstanding on the date hereof under the 1985 Indenture, (d) Medium Term Notes, Series A due from nine months to fifteen years from date of issue, issued and outstanding on the date hereof under the 1988 Indenture, and (e) 9 1/2% Notes due February 15, 2003, 9 3/8% Notes due November 1, 2003, 9 3/8% Notes due November 1, 2003, Series B, 9 7/8% Notes due October 15, 2002, Medium Term Notes, Series B due from nine months to fifteen years from date of issue, and Medium Term Notes, Series C due from nine months to thirty years from date of issue, issued and outstanding on the date hereof under the 1990 Indenture (all of the securities identified in subclauses (a) through (e) above, including any Notes issued in substitution or exchange therefor under the applicable terms of the relevant Company Indenture, collectively, being hereinafter called the "Company Indenture Securities," those identified in subclauses (d) and (e) above, including any Notes issued in substitution or exchange therefor under the applicable terms of the relevant Company Indenture, being sometimes hereinafter respectively called the "1988 Company Indenture Securities" and the "1990 Company Indenture Securities" and collectively the "Consent Securities," and such registered holders of the Company Indenture Securities, collectively, being hereinafter called the "Obligees").

#### RECITALS

It is anticipated that YPF Acquisition Corp., a corporation organized and existing under the laws of the State of Delaware and wholly-owned subsidiary of the Guarantor, will be merged (the "Merger") with and into the Company. As a result of the Merger, the Company would become a wholly-owned subsidiary of the Guarantor. In connection therewith, the Guarantor has offered to provide its guaranty in respect of the payment of the principal of and premium (if any) and interest on the Company Indenture Securities, subject to the condition (and, in the case of the Consent Securities, to the additional condition) to effectiveness set forth below in Section 7.

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NOW, THEREFORE, this Agreement

#### W I T N E S S E T H:

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor does hereby covenant and agree, for the benefit of each of the Obligees from time to time, as follows:

1. Guarantee. The Guarantor unconditionally and irrevocably guarantees the payment of all principal of and premium (if any) and interest on the Company Indenture Securities (hereinafter collectively called the "Obligations"), in each case when and as the same shall become due and payable in accordance with the terms of such Company Indenture Securities and the respective Company Indenture pursuant to which the same were issued, as in effect on the date hereof; provided, that if any Company Indenture Security or any Company Indenture shall be amended at any time when the Guarantor shall not control the Company in any way which shall or could enlarge, expand, increase or extend, or could otherwise have an adverse effect on, the Guarantor's

obligations under this Agreement, and such amendment is effected without the Guarantor's specific prior written consent, this Guaranty shall automatically terminate, and be of no further force and effect whatsoever, in respect of the Company Indenture Security so affected or the Company Indenture Securities issued under such Company Indenture so affected. In the case of any failure of the Company to make any such payment, the Guarantor hereby unconditionally agrees to cause any such payment to be made, when and as the same shall become due, all as if such payment were made or rendered by the Company.

2. Certain Waivers; Unconditionality. The Guarantor waives (to the extent permitted by applicable law) notice of acceptance of the guaranties set forth herein, of any action taken or omitted in reliance hereon or of any default in the payment or in the performance of any Obligations guaranteed hereby. The Guarantor hereby agrees that its obligations under this Agreement constitute a present and continuing guarantee of payment and not of collectibility, and shall be absolute and unconditional.

3. Subrogation. The Guarantor hereby agrees that if it shall make any payment in respect of any Obligation, it shall, to the extent permitted by applicable law, be subrogated to the rights of the Obligor to which such payment was made.

4. Further Waivers; Reinstatement. The Guarantor waives any right it may have to require any Obligor to proceed against the Company or against any other party prior to making any claim under this Agreement. The Guarantor agrees that its guaranties herein contained shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Company or the Guarantor is rescinded or must be otherwise restored by any Obligor, whether as a result of any proceedings in bankruptcy or reorganization or otherwise.

5. Consent to Jurisdiction and Service of Process. (a) The Guarantor consents to the non-exclusive jurisdiction of any court of the State of New York or any United States federal court sitting in the Borough of Manhattan, New York City, New York, United States, and any appellate court from any thereof, and waives any immunity from the

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jurisdiction of such courts over any suit, action or proceeding that may be brought in connection with this Agreement. The Guarantor irrevocably waives, to the fullest extent permitted by law, any objection to any suit, action, or proceeding that may be brought in connection with this Agreement in such courts on the grounds of venue, residence or domicile or on the ground that any such suit, action or proceeding has been brought in an inconvenient forum. The Guarantor agrees that final judgment in any such suit, action or proceeding brought in such court shall be conclusive and binding upon the Guarantor and may be enforced in any court to the jurisdiction of which the Guarantor is subject by suit upon such judgment; provided that service of process is effected upon

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the Guarantor in the manner provided in this Agreement. Notwithstanding the foregoing, any suit, action or proceeding brought in connection with this Agreement may be instituted in any competent court in Argentina.

(b) The Guarantor agrees that service of all writs, process and summonses in any suit, action or proceeding brought in connection with this Agreement against the Guarantor in any court sitting in the Borough of Manhattan, New York City may be made upon CT Corporation System at 1633 Broadway, New York, New York 10019, whom the Guarantor irrevocably appoints as its authorized agent for service of process. The Guarantor represents and warrants that CT Corporation System has agreed to act as the Guarantors agent for service of process. The Guarantor agrees that such appointment shall be irrevocable so long as this Agreement shall remain in effect or until the irrevocable appointment by the Guarantor of a successor in The City of New York



as its authorized agent for such purpose and the acceptance of such appointment by such successor. The Guarantor further agrees to take any and all action, including the filing of any and all documents and instruments, that may be necessary to continue such appointment in full force and effect as aforesaid. If CT Corporation System shall cease to be the Guarantors agent for service of process, the Guarantor shall appoint without delay another such agent and provide prompt written notice to the Obligees, to the extent known to it, of such appointment. With respect to any such action in any court of the State of New York or any United States federal court in the Borough of Manhattan, New York City, service of process upon CT Corporation System, as the authorized agent of the Guarantor for service of process, and written notice of such service to the Guarantor, shall be deemed, in every respect, effective service of process upon the Guarantor.

(c) Nothing in this paragraph 5 shall affect the right of any party to serve legal process in any other manner permitted by law or affect the right of any party to bring any action or proceeding against any other party or its property in the courts of other jurisdictions.

6. Governing Law. This Agreement is being delivered and is intended to be performed in the State of New York, and shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of such State without regard to conflicts of law principles.

7. Effectiveness. Subject to the following proviso, this Agreement shall take effect upon (and concurrently with) the Merger; provided, however, that this Agreement shall not take effect with respect to and for the benefit of any Obligee which is the registered

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holder of any Consent Securities issued and outstanding under the 1988 Indenture or the 1990 Indenture, as the case may be, unless and until

(x) the Holders (as defined in such Indenture) of at least 66 2/3 in principal amount of each series of the Securities (as so defined) outstanding under such Indenture shall have executed and delivered to the Trustee thereunder its consent (in substantially the form annexed hereto as Exhibit A-1 or A-2, as the case may be) to the execution and delivery of an amendment to such Indenture in substantially the form of the supplemental indenture annexed to such form of consent (hereinafter called the "Indenture Amendment" with respect to such Indenture), as contemplated and in accordance with Section 9.02 and all other applicable provisions of such Indenture;

(y) the Indenture Amendment with respect to such Indenture shall have become effective in accordance with the applicable terms of such Indenture; and

(z) the Trustee under such Indenture shall have delivered to the Guarantor written confirmation to the effect that such Indenture Amendment has become effective.

8. Successors and Assigns. All covenants and agreements in this Agreement contained shall bind and inure to the benefit of (a) the Guarantor and its successors and assigns and (b) the Obligees. This Agreement shall not be assignable separately from the Company Indenture Securities, in whole or in part, by any Obligee without the prior written consent of the Guarantor.

9. Notices. All communications provided for hereunder shall be sent by first class mail and (a) if to any Obligee, addressed to such Obligee in care of the Trustee under the appropriate Company Indenture, or to such other address

as such Trustee may have designated in writing to the Guarantor and the Company, (b) if to the Guarantor, at its address set forth in the prefatory paragraph of this Agreement, Attention: President, or to such other address as the Guarantor may have designated to the Trustees under the Company Indentures and to the Company, and (c) if to the Company, addressed to it at: 717 North Harwood Street, Dallas, Texas 75201, Attention: Secretary, or to such other address as the Company may have designated in writing to the Trustees under the Company Indentures and to the Guarantor.

10. Descriptive Headings. The descriptive headings of the several paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

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IN WITNESS WHEREOF, the Guarantor has caused this Agreement to be executed by its officer thereunto duly authorized, all as of the day and year first above written.

YPF SOCIEDAD ANONIMA

By

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Name: Cedric Bridger  
Title: Vice President, Finance and  
Corporate Development

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EXHIBIT G

YPF GUARANTEE AGREEMENT  
dated as of June 8, 1995

between

YPF SOCIEDAD ANONIMA

and

THE CHASE MANHATTAN BANK  
(NATIONAL ASSOCIATION)

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GUARANTEE AGREEMENT dated as of June 8, 1995 between YPF SOCIEDAD ANONIMA, an Argentine sociedad anonima duly organized and validly existing under the laws

of Argentina ("YPF"); and THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION), as

agent for the lenders from time to time party to the Credit Agreement referred to below (in such capacity, together with its successors in such capacity, the "Agent").

Midgard Energy Company, a Delaware corporation (the "Company") and a

Subsidiary of YPF, certain lenders and the Agent are parties to a Credit Agreement dated as of June 8, 1995 (as modified and supplemented and in effect from time to time, the "Credit Agreement"), providing, subject to the terms and

conditions thereof, for loans to be made by said lenders to the Company in an aggregate principal amount not exceeding \$250,000,000.

To induce said lenders to enter into the Credit Agreement and to extend credit thereunder, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, YPF has agreed to guarantee the Guaranteed Obligations (as hereinafter defined). Accordingly, the parties hereto agree as follows:

Section 1. Definitions. Terms defined in the Credit Agreement are

used herein as defined therein unless otherwise defined herein. In addition, (a) the following terms shall have the following meanings (and terms defined in this Section 1. or in other provisions of this Agreement in the singular shall have the same meanings when used in the plural and vice versa) and (b) each

reference to a Subsidiary or Subsidiaries of YPF (other than in Section 4.07 hereof and the definition of "Total Indebtedness" in this Section 1) shall be deemed to refer to a Subsidiary or Subsidiaries of YPF (as the case may be) other than Maxus and its Subsidiaries:

"Argentine GAAP" shall mean generally accepted accounting principles in Argentina as in effect from time to time.

"Capital Lease Obligations" shall mean, for any Person, all obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) Property to the extent such obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under Argentine GAAP, and, for purposes of this Agreement, the amount of such obligations shall be the

capitalized amount thereof, determined in accordance with Argentine GAAP.

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"Indebtedness" shall mean with respect to any Person, (a) any

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liability of such Person (i) for money borrowed, or under any reimbursement obligation relating to a letter of credit, (ii) evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation) given in connection with the acquisition of any businesses, properties or assets of any kind (other than a trade payable or a liability arising in the ordinary course of business, so long as such trade payable or liability is payable within 90 days of the date the respective goods are delivered or the respective services are rendered), or (iii) for Capital Lease Obligations; (b) all Redeemable Stock issued by such Person (the amount of Indebtedness being represented by any involuntary liquidation preference plus accrued and unpaid dividends); (c) any liability of others described in the preceding clause (a) that such Person has guaranteed; and (d) (without duplication) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (a), (b) and (c) above. For purposes of determining any particular amount of Indebtedness under this definition, Guarantees of (or obligations with respect to letters of credit supporting) Indebtedness otherwise included in the determination of such amount shall not also be included.

"Maxus Public Debt Documents" shall mean, collectively, (a) the

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Indenture dated as of April 1, 1978 between Diamond Shamrock Corporation (as predecessor in interest to Maxus) and Mellon Bank, N.A., as trustee, as amended by that certain First Supplemental Indenture, dated as of January 26, 1984, among Diamond Shamrock Corporation, Diamond Shamrock Chemicals Company and Mellon Bank, N.A., as trustee, that certain Agreement of Resignation/Appointment and Acceptance, dated as of February 27, 1991, among Mellon Bank, N.A., Maxus and Security Pacific National Trust Company (New York), and that certain Tri-Party Agreement dated January 24, 1993, among Security Pacific National Trust Company (New York), Maxus and Chemical Bank, trustee, and the Debentures (as defined therein) issued thereunder, (b) the Indenture dated as of May 1, 1983 between Diamond Shamrock Corporation (as predecessor in interest to Maxus) and Mellon Bank, N.A., as trustee, as amended by that certain First Supplemental Indenture, dated as of January 26, 1984, among Diamond Shamrock Corporation, Diamond Shamrock Chemicals Company, and Mellon Bank, N.A., under which NationsBank, N.A., currently serves as successor trustee, and the Securities (as defined therein) issued thereunder, (c) the Indenture dated as of November 1, 1985 between Maxus Diamond Shamrock Corporation (as predecessor in interest to Maxus) and Mellon Bank, N.A., as trustee,

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under which NationsBank, N.A., currently serves as successor trustee, as trustee, and the Securities (as defined therein) issued thereunder, (d) the Indenture dated as of April 1, 1988 between Maxus and Chemical Bank, as trustee, and the Securities (as defined therein) issued thereunder, and (e) the Indenture dated as of November 1, 1990 between Maxus and Chemical Bank, as trustee and the Securities (as defined therein) issued thereunder, in each case, as such agreements and instruments may be hereafter modified and supplemented and in effect from time to time.

"Redeemable Stock" shall mean any class or series of capital stock of

any Person that by its terms or otherwise is required to be redeemed prior to the final maturity of the Loans, or is redeemable at the option of the holder thereof at any time prior to the final maturity of the Loans.

"Significant Subsidiary" shall mean a Subsidiary of YPF which is

material to the condition, financial or otherwise, or to the earnings, operations, business affairs or business prospects of YPF and its Subsidiaries taken as a whole.

"Subsidiary" shall mean, with respect to any Person, any corporation

or other business entity of which such Person owns or controls (either directly or through another or other Subsidiaries) more than 50% of the issued share capital or other ownership interest, in each case having ordinary voting power to elect directors, managers or trustees of such corporation or other business entity (whether or not capital stock or other ownership interest of any other class or classes shall or might have voting power upon the occurrence of any contingency).

"Tangible Net Worth" shall mean, as at any date, the amount for YPF

(determined in accordance with Argentine GAAP) of (a) shareholders' equity as at such date minus (b) the sum of the following as at such date: the

cost of treasury shares and the book value of all assets that should be classified as intangibles (without duplication of deductions in respect of items already deducted in arriving at surplus and retained earnings) but in any event including goodwill, minority interests, research and development costs, trademarks, trade names, copyrights, patents and franchises, unamortized debt discount and expense, all reserves for losses, contingencies, or other liabilities (but only to the extent such reserves were not deducted in arriving at shareholders' equity) and any write-up in the book value of assets resulting from a revaluation thereof

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subsequent to December 31, 1994 other than as a result of the Merger.

"Total Capitalization" shall mean as at any date (a) Total

Indebtedness as at such date plus (b) shareholders' equity of YPF as at such date.

"Total Indebtedness" shall mean as at any date all Indebtedness of YPF

and its Subsidiaries as of such date, determined on a consolidated basis in accordance with Argentine GAAP.

"YPF Material Adverse Effect" shall mean the occurrence of any event

or condition with respect to YPF which has a material adverse effect on (a) the financial condition, results of operations or the shareholders' equity of YPF and its Subsidiaries taken as a whole, (b) the ability of YPF to perform any of its payment or any of its other material obligations under this Agreement, (c) the validity or enforceability of any of such obligations, or (d) the ability of the Lenders or the Agent to enforce any of their respective rights and remedies against YPF under this Agreement.

## Section 2. The Guarantee.

### 2.01 The Guarantee. YPF hereby guarantees to each Lender and the

Agent and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the principal of and interest on the Loans made by the Lenders to, and, without duplication, the Notes held by each Lender of, the Company and all other amounts from time to time owing to the Lenders or the Agent by the Company under the Credit Agreement and under the Notes, in each case strictly in accordance with the terms thereof (such obligations being herein collectively called the "Guaranteed Obligations"). YPF hereby further agrees that if the Company shall

fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, YPF will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

### 2.02 Obligations Unconditional. The obligations of YPF under

Section 2.01 hereof are, to the fullest extent permitted by law, absolute and unconditional irrespective of the value, genuineness, validity, regularity or enforceability of the

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Credit Agreement, the Notes or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guarantee of or any security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 2.02 that the obligations of YPF hereunder shall be absolute and unconditional under any and all circumstances (other than full and final payment of the Guaranteed Obligations). Without limiting the generality of the foregoing, it is agreed that, to the fullest extent permitted by law, the occurrence of any one or more of the following shall not alter or impair the liability of YPF hereunder which shall remain absolute and unconditional as described above and (to the fullest extent permitted by law) YPF hereby irrevocably waives any defenses it may now or hereafter have in any way relating to any and all of the following:

(i) at any time or from time to time, without notice to YPF, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(ii) any of the acts mentioned in any of the provisions of the Credit Agreement or the Notes or any other agreement or instrument referred to herein or therein shall be done or omitted;

(iii) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be modified, supplemented or amended in any respect, or any right under the Credit Agreement or the Notes or any other agreement or instrument referred to herein or therein shall be waived or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with; or

(iv) any lien or security interest granted to, or in favor of, the Agent or any Lender or Lenders as security for any of the Guaranteed Obligations shall fail to be perfected.

YPF hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Agent or any Lender exhaust any right, power or remedy or proceed against the Company under the Credit Agreement or the Notes or any other agreement or instrument referred to herein or therein, or against any other Person under any other guarantee



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of, or security for, any of the Guaranteed Obligations. YPF hereby also irrevocably waives any right contemplated by Articles 480 (second paragraph), 481 and 482 of the Argentine Commercial Code as well as any rights and powers contemplated by Articles 1990, 1994, 2012, 2015, 2017, 2018, 2020, 2021, 2022, 2023, 2025, 2026, 2029, 2043, 2044, 2045, 2046, 2047, 2049 and 2050 of the Argentine Civil Code.

2.03 Reinstatement. The obligations of YPF under this Section 2

shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Company in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and YPF agrees that it will indemnify the Agent and each Lender on demand for all reasonable costs and expenses (including, without limitation, fees of counsel) incurred by the Agent or such Lender in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

2.04 Subrogation. YPF hereby waives all rights of subrogation or

contribution, whether arising by contract or operation of law (including, without limitation, any such right arising under the Federal Bankruptcy Code) or otherwise by reason of any payment by it pursuant to the provisions of this Section 2 and further agrees with the Company for the benefit of each of its creditors (including, without limitation, each Lender and the Agent) that any such payment by it shall constitute a contribution of capital by YPF to the Company (or an investment in the equity capital of the Company by YPF).

2.05 Remedies. YPF agrees that, as between YPF and the Lenders, to

the fullest extent permitted by law, the obligations of the Company under the Credit Agreement and the Notes may be declared to be forthwith due and payable as provided in Section 9 of the Credit Agreement (and shall be deemed to have become automatically due and payable in the circumstances provided in said Section 9) for purposes of Section 2.01 hereof notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against the Company and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by the Company) shall forthwith become due and payable by YPF for purposes of said Section 2.01.

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2.05 Instrument for the Payment of Money. To the fullest extent

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permitted by law, YPF hereby (a) acknowledges that the guarantee in this Section 2 constitutes an instrument for the payment of money, and (b) consents and agrees that any Lender or the Agent, at its sole option, in the event of a dispute by YPF in the payment of any moneys due hereunder, shall have the right to bring motion-action under New York CPLR Section 3213.

2.07 Continuing Guarantee. The guarantee in this Section 2 is a

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continuing guarantee, and shall apply to all Guaranteed Obligations whenever arising.

2.03 Taxes. YPF covenants and agrees that:

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(a) All payments on account of the Guaranteed Obligations by YPF to the Agent and the Lenders, including, without limitation, amounts payable under paragraph (b) of this Section 2.08, shall be made in Dollars, free and clear of and without reduction by reason of any and all present and future income, stamp, excise, asset, value added and other taxes and levies, imposts, deductions, charges, compulsory loans and withholdings whatsoever imposed, assessed, levied or collected by Argentina or any political subdivision or taxing authority thereof or therein, together with interest thereon and penalties with respect thereto, if any, on or in respect of this Agreement, the Guaranteed Obligations, the registration, notarization or other formalization of any thereof, and any payments of principal, interest, charges, fees or other amounts made on, under or in respect thereof (hereinafter called "Argentine Taxes"), all of which will

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be paid by YPF, for its own account, prior to the date on which penalties attached thereto.

(b) YPF will indemnify the Agent and the Lenders against, and reimburse the Agent and the Lenders on demand for, any Argentine Taxes and any loss, liability, claim, or expense including interest, penalties, and legal fees which the Agent or the Lenders may incur at any time arising out of or in connection with any failure of YPF to make any payments of Argentine Taxes when due.

(c) To the extent that YPF is required by applicable law, decree or regulation to deduct or withhold Argentine Taxes from any amounts payable on, under or in respect of this Agreement, or the Guaranteed Obligations, YPF shall pay the Agent and the Lenders in Dollars such additional amounts as may be required, after deduction or withholding of Argentine Taxes, to enable the Agent and the Lenders to receive from YPF an amount equal to the amount stated to be payable in respect of this Agreement or the Guaranteed Obligations.

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(d) YPF shall furnish to the Agent and the Lenders original tax receipts in respect of any withholding of Argentine Taxes required under this Section 2.08 within 30 days after the date of each payment of interest which is subject to any Argentine Taxes, and YPF shall promptly furnish to the Agent and the Lenders any other information, documents and receipts that the Agent and the Lenders may, in their sole discretion from time to time, require to establish to their satisfaction that full and timely payment has been made of all Argentine Taxes required to be paid under this Section 2.08.

(e) YPF shall pay all present and future Argentine Taxes, including but not limited to stamp taxes, imposts, contributions, charges, deductions, withholdings, court taxes, duties and fees which are imposed, assessed, levied or collected in connection with the execution, delivery, registration, notarization, enforcement or any other act related thereto, of any of the Basic Documents and any documents related thereto, and shall, upon notice from the Agent or any Lender, reimburse the Agent or any Lender or its assigns for any such taxes, imposts, contributions, charges, deductions, duties and fees.

Section 3. Representations and Warranties. YPF represents and  
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warrants to the Lenders and the Agent that:

3.01 Organization, Standing, etc. YPF is a sociedad anonima  
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(corporation) duly organized and existing in good standing under the laws of Argentina, has full corporate power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into this Agreement and to carry out the terms hereof.

3.02 Qualification. YPF and each of its Subsidiaries is duly  
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qualified and in good standing as a foreign corporation authorized to do business in each jurisdiction (other than the jurisdiction of its incorporation or organization) in which the nature of its activities or the character of the properties it owns or leases makes such qualification necessary and in which the failure so to qualify would have a YPF Material Adverse Effect.

3.03 Financial Statements. The consolidated balance sheets of YPF  
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and its Subsidiaries as at December 31, 1994, 1993 and 1992 and the related consolidated statements of income, cash flows and changes in financial position of YPF and its Subsidiaries for each of the fiscal years then ended, together with related notes, such statements being accompanied by reports thereon of Pistrelli, Diaz y Asociados (associated with Arthur Andersen & Co.), independent public accountants have been delivered to the Lenders. In addition, the consolidated balance

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sheet of YPF and its Subsidiaries as at March 31, 1995 and the related consolidated statements of income, cash flows and changes in financial position of YPF and its Subsidiaries for the fiscal quarter then ended have been

delivered to the Lenders. All such financial statements (including any related schedules or notes) have been prepared in accordance with Argentine GAAP, present fairly the consolidated financial position of YPF and its Subsidiaries as at the respective dates of such consolidated balance sheets and the consolidated results of operations, cash flows and changes in financial position of YPF and its Subsidiaries for the fiscal periods ended on said dates (subject to normal year end audit adjustments in the case of said financial statements at March 31, 1995). Since December 31, 1994 there have been no changes in the business, financial condition, operations, assets or liabilities of YPF and its Subsidiaries from that set forth in the consolidated balance sheet as of that date, other than changes in the ordinary course of business which have not, either individually or in the aggregate, had a YPF Material Adverse Effect.

3.04 Litigation, etc. Except as described on Schedule I hereto,  
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there is no action, suit, proceeding or investigation at law or in equity by or before any court, governmental body, agency, commission or other tribunal now pending or, to the best of YPF's knowledge after due inquiry, threatened against or affecting YPF or its Subsidiaries or its or its Subsidiaries' property or rights (a) which questions or would question the validity of this Agreement or (b) as to which there is a significant possibility of an adverse determination and which if adversely determined (i) may have a YPF Material Adverse Effect or (ii) could impair the ability of YPF to perform its obligations hereunder.

3.05 Governmental Consents. No consent, approval or authorization  
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of, or declaration or filing with, any governmental authority is required for the valid execution, delivery and performance by YPF of this Agreement.

3.06 Taxes. Under the laws of Argentina, the execution, delivery and  
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performance by YPF of its obligations hereunder and all payments of the Guaranteed Obligations and other amounts hereunder are exempt from all income or withholding taxes, stamp taxes, charges or contributions of Argentina or any political subdivision or taxing authority thereof, irrespective of the fact that the Agent or any of the Lenders may have a representative office or subsidiary in Argentina; provided, however, that under current law payments of interest by

YPF under this Agreement would be subject to a withholding tax at the rate of 12% to the extent any such interest payments were deemed to be subject to the income tax contemplated under Argentine law.

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3.07 Authorization. YPF has all necessary corporate power, authority  
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and legal right to execute, deliver and perform its obligations hereunder. This Agreement has been duly authorized by all requisite corporate and other actions and duly executed and delivered by an authorized officer of YPF, and is the valid obligation of YPF, legally binding upon and enforceable against YPF in

accordance with its terms, except as such enforceability may be limited by  
(a) applicable bankruptcy, insolvency, reorganization, moratorium or other  
similar laws affecting the enforcement of creditors' rights generally and  
(b) general principles of equity (regardless of whether such enforceability is  
considered in a proceeding in equity or at law).

3.08 No Conflicts. The execution, delivery and performance by YPF of

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this Agreement do not and will not violate the provisions of any applicable law  
or regulation of Argentina (or of any political subdivision thereof) presently  
in effect or any order of any court, regulatory body or arbitral tribunal or of  
the estatutos of YPF, other than violations that individually or collectively

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could not have a YPF Material Adverse Effect, and do not and will not constitute  
a breach or default or require any consent under, or result in the creation of  
any Lien on any of the present or future revenues and properties of YPF or any  
of its Subsidiaries pursuant to, any agreement, instrument or document to which  
YPF or any of its Subsidiaries is a party or by which YPF or any of its or its  
Subsidiaries' respective properties or revenues may be bound or affected except  
to the extent that such breaches, defaults or Liens individually or collectively  
could not have a YPF Material Adverse Effect.

3.09 Commercial Obligations. YPF is subject to civil and commercial

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law with respect to its obligations hereunder, and the execution, delivery and  
performance by YPF of its obligations under this Agreement, constitute private  
and commercial acts; and neither YPF nor any of its properties or revenues is  
entitled to any right of immunity from suit, court jurisdiction, attachment  
prior to judgment, attachment in aid of execution of a judgment, set-off,  
execution of a judgment or from any other legal process with respect to such  
obligations.

3.10 Enforceability. This Agreement is in proper legal form under

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the laws of Argentina for the enforcement thereof against YPF in the courts of  
Argentina and it is not necessary, to ensure the enforceability or admissibility  
in evidence of this Agreement, that the same be filed or recorded with any court  
or other authority in Argentina except that if this Agreement is enforced before  
the courts of the city of Buenos Aires, the payment of a court tax of 3% on the  
amount of the claim is required; and except further that an official

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Spanish translation of this Agreement is required to bring an action thereon in  
the courts of Argentina.

3.11 Ranking. YPF's obligations under Section 2 hereof are direct

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and unconditional general obligations of YPF and will rank in right of payment  
at least pari passu with all other Indebtedness of YPF, except to the extent any

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such other Indebtedness is accorded preference by reason of collateral security  
for such other Indebtedness.

3.12 Environmental Matters. YPF has obtained all permits, licenses

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and other authorizations which are required under all environmental laws and regulations, except to the extent failure to have any such permit, license or authorization would not have a YPF Material Adverse Effect. YPF is in compliance with the terms and conditions of all such permits, licenses and authorizations and of all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable environmental law or in any regulation or code (as such laws, regulations or codes are currently being interpreted or enforced) or any plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except to the extent failure to comply would not have a YPF Material Adverse Effect.

3.13 Exploration, Permits, Etc. All oil and gas exploration permits

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and production and transportation concessions held by YPF are in effect and YPF is not in breach of any of its obligations thereunder or in connection therewith that may potentially cause the forfeiture of its rights under said permits and concessions or impair or otherwise affect the exercise of its rights thereunder except to the extent that any such breach would not cause a YPF Material Adverse Effect.

3.14 True

-----BEGIN PRIVACY-ENHANCED MESSAGE-----

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Originator-Name: webmaster@www.sec.gov

Originator-Key-Asymmetric:

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ACCESSION NUMBER: 0000950134-96-000840

CONFORMED SUBMISSION TYPE: 10-K

PUBLIC DOCUMENT COUNT: 20

CONFORMED PERIOD OF REPORT: 19951231

FILED AS OF DATE: 19960322

SROS: NASD

SROS: NYSE

SROS: PSE

FILER:

COMPANY DATA:

COMPANY CONFORMED NAME:	MAXUS ENERGY CORP /DE/
CENTRAL INDEX KEY:	0000724176
STANDARD INDUSTRIAL CLASSIFICATION:	CRUDE PETROLEUM & NATURAL GAS [1311]
IRS NUMBER:	Non-Responsive
STATE OF INCORPORATION:	DE
FISCAL YEAR END:	1231

FILING VALUES:

FORM TYPE:	10-K
SEC ACT:	1934 Act
SEC FILE NUMBER:	001-08567
FILM NUMBER:	96537188

BUSINESS ADDRESS:

STREET 1:	717 N HARWOOD ST- RM 3147
CITY:	DALLAS
STATE:	TX
ZIP:	75201-6594
BUSINESS PHONE:	2149532000

FORMER COMPANY:

FORMER CONFORMED NAME:	DIAMOND SHAMROCK CORP /DE/
DATE OF NAME CHANGE:	19870518

FORMER COMPANY:

FORMER CONFORMED NAME:	NEW DIAMOND CORP
DATE OF NAME CHANGE:	19830908

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<TYPE>10-K

<SEQUENCE>1

<DESCRIPTION>FORM 10-K FOR YEAR ENDED DECEMBER 31, 1995

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1995

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-8567-2

MAXUS ENERGY CORPORATION  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

717 NORTH HARWOOD STREET  
DALLAS, TEXAS  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

**Non-Responsive**  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

75201-6594  
(ZIP CODE)

Registrant's telephone number, including area code: (214) 953-2000

Securities registered pursuant to Section 12(b) of the Act:

&lt;TABLE&gt;

&lt;CAPTION&gt;

NAME OF EACH EXCHANGE TITLE OF EACH CLASS	ON WHICH REGISTERED
<S>	<C>
Common Stock, \$1.00 Par Value.....	None
\$2.50 Cumulative Preferred Stock, \$1.00 Par Value.....	New York Stock Exchange
8 1/2% Sinking Fund Debentures Due April 1, 2008.....	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act:	
\$4.00 Cumulative Convertible Preferred Stock, \$1.00 Par Value.....	Nasdaq Stock Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. YES /X/ NO / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / /

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 1, 1996 was approximately \$190,072,300.

Shares of Common Stock outstanding at March 1, 1996 -- 135,609,772.

DOCUMENTS INCORPORATED BY REFERENCE  
None

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PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES.

Maxus Energy Corporation ("Maxus" or the "Company") was incorporated in Delaware in 1983 to hold the stock of various corporations, the oldest of which was founded in 1910. The Company, together with its subsidiaries, is an oil and gas exploration and production company with ongoing international activity in Indonesia, Ecuador, Bolivia, Venezuela and certain other countries, and domestic activity primarily in the mid-continent region of the United States. Its principal executive offices are located at 717 North Harwood Street, Dallas, Texas 75201-6594, and its telephone number is (214) 953-2000. In this report, the terms "Company" and "Maxus" mean Maxus Energy Corporation, its subsidiaries and their predecessors unless the context otherwise indicates.

The Company's common stock, \$1.00 par value ("Common Stock"), is wholly owned by YPF Sociedad Anonima ("YPF"), an Argentine sociedad anonima. On March 6, 1995, a tender offer for the Company's Common Stock was commenced by YPF Acquisition Corp. (the "Purchaser" or "YPFA Corp."), a wholly owned subsidiary of YPF, at \$5.50 per share. Pursuant to the tender offer, in April 1995, the Purchaser acquired approximately 88.5% of the then-outstanding shares of Common Stock. On June 8, 1995, a special meeting of the stockholders of the Company was held to approve the Agreement of Merger ("Merger Agreement") dated February 28,



1995, between the Company, the Purchaser and YPF. The holders of the Company's Common Stock along with the holders of the Company's \$4.00 Cumulative Convertible Preferred Stock ("4.00 Preferred Stock") approved the Merger Agreement; the Purchaser was merged into the Company (the "Merger") on June 8, 1995; and, pursuant to the terms of the Merger Agreement, shares of the Company's Common Stock outstanding on the date of the Merger were converted into the right to receive \$5.50 per share. The 4.00 Preferred Stock and the Company's \$2.50 Cumulative Preferred Stock ("2.50 Preferred Stock") remain outstanding, and the powers, preferences and rights of such preferred stock, including conversion rights of the 4.00 Preferred Stock, were not affected by the Merger.

Effective April 1, 1995, the Company used the purchase method of accounting to record the acquisition of the Company by YPF. In a purchase method combination, the purchase price is allocated to acquired assets and assumed liabilities based on their fair values at the date of acquisition. As a result, the Company's assets and liabilities were revalued to reflect the approximate \$762 million cash purchase price paid by YPF to acquire the Company. Due to the application of purchase accounting on April 1, 1995, financial information post-merger is not comparable to prior periods. Therefore, financial information is presented separately for pre-Merger (years ending December 31, 1994 and 1993, and the three-month period ending March 31, 1995) and post-Merger periods (nine months ending December 31, 1995). The Company's sales or transfers between geographic areas were not significant in each year in the period ended December 31, 1994 and 1993 and the three months ended March 31, 1995 and the nine months ended December 31, 1995. Operating revenues from export sales to unaffiliated customers located outside the United States were less than 10% of the Company's consolidated sales and operating revenues in each year in the two-year period ended December 31, 1994 and the three months ended March 31, 1995 and the nine months ended December 31, 1995. Information concerning outside sales and operating profit by geographic area for the nine months ended December 31, 1995 and identifiable assets by geographic area as of December 31, 1995 is presented on page F-43 of this report. Information concerning outside sales and operating profit by geographic area for the three months ended March 31, 1995 and for the twelve months ended December 31, 1994 and 1993 and identifiable assets by geographic area as of March 31, 1995 and December 31, 1994 and 1993 is presented on pages F-9 and F-10 of this report.

#### Exploration and Production -- International

##### Indonesia

The Company has interests in production sharing contracts with Pertamina, Indonesia's state oil company, for the exploration, development and production of oil and gas in two primary areas in the Java Sea--Southeast Sumatra and Northwest Java. These areas accounted for 81% of the Company's total net

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production of oil during 1995. The Company's working interest in the Southeast Sumatra production sharing contract is 55.7% and in the Northwest Java production sharing contract is 24.3%. The Company is the operator of the Southeast Sumatra block, and Atlantic Richfield Company ("ARCO") is the operator of the Northwest Java block.

The Indonesian production sharing contracts allow the Company to recover, subject to available production, tangible and intangible costs of exploration, intangible costs of production and operating costs on a current basis and tangible costs of production generally over a seven-year period. After recovery of those costs and fulfillment of a domestic market obligation for oil, the contractors currently receive 34% of the oil produced and 79.5% of the gas produced before Indonesian taxes, the statutory rate for which is 56%. The Southeast Sumatra and Northwest Java production sharing contracts extend to 2018 and 2017, respectively.

The Company has gas projects in both the Northwest Java and Southeast Sumatra contract areas. In 1992, ARCO began developing gas reserves in Northwest Java. Production from this project, which began delivery to Jakarta in 1993, averaged 255 million cubic feet per day ("mmcfpd") (gross) during 1995. In Southeast Sumatra, where the Company has certified (but not included in its proved reserves because of an absence of a contract of sale) 300 billion cubic feet ("bcf") of gross gas reserves, the Company is negotiating with Pertamina for a gas sales contract to supply Jakarta or other markets. Although the Company cannot give any assurance that a contract will ultimately be signed, management currently believes that these negotiations will eventually lead to a satisfactory gas sales contract and a profitable market for the Company's Southeast Sumatra natural gas.

During 1995, six exploration and 18 development wells were drilled in the Northwest Java contract area, which added 28 million barrels (gross) of oil and 237 bcf (gross) of gas to proved reserves. During 1995, the Company drilled 14 exploration and 20 development wells in the Southeast Sumatra contract area which added 19.4 million barrels (gross) of proved oil reserves.

Exploration activities replaced 43% of net production of oil and gas for the Southeast Sumatra and Northwest Java blocks in 1995. The Company plans to drill fewer exploration wells (ten) in the Southeast Sumatra block in 1996 than it did in 1995 (14), and will shift its emphasis and spending toward drilling in-fill wells, increasing workovers, reducing lifting costs and securing conditions to commercialize small oil fields discovered in previous years that were considered uneconomic under then-prevailing operating cost and sales price assumptions.

#### Ecuador

The Company is the operator of and has a 35% working interest in the Block 16 project in eastern Ecuador from which production began in 1994. During 1995, the main access road to the northern and southern fields, the oil pipeline to the southern fields and water disposal lines were completed, along with the construction of wellpads for the following southern fields, as well as Water Disposal Pad #1: Amo B, Iro A and Ginta B. This allowed continued development drilling in these fields in the southern area which averaged 6,038 gross barrels of oil production per day during 1995. Production from the Amo field was recorded in November 1995, and production from the Iro and Ginta fields is projected to be recorded in the first half of 1996. Production from the northern fields averaged approximately 22,800 gross barrels of oil per day ("bpd") in 1995.

Pipeline capacity available to the Company is sufficient to transport only about 60% of the daily oil the Company expects to be able to produce in Ecuador, and none of the various projects to increase transportation capacity that have been considered has been approved by the government of Ecuador. In addition, the Company is involved in a number of contract, auditing and certification disputes with various government entities. Together, the lack of pipeline capacity and the various disputes with government entities are retarding the Company's ability to proceed with the economic development of Block 16. Although the Company can give no assurances concerning the outcome of the discussions, progress has recently been made on several important issues. The Company intends to reduce program spending in Ecuador in 1996 to \$19 million from \$32 million in 1995.

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#### Bolivia

In Bolivia, total daily oil production averaged approximately 6,400 gross bpd during 1995 from ten wells located in the Surubi Field of the Mamore I Block, a 1.6 million acre concession of which the Company is the operator and owns a 50% interest. Production in the Mamore I Block increased to 9,500 gross bpd at year-end 1995, as compared to 4,200 gross bpd at the end of 1994. The Mamore I Block is currently the source of approximately 30% of Bolivia's liquid hydrocarbon production; the majority of Bolivian fields produce primarily natural gas and condensate. Proven Surubi area gross reserves were estimated at 28 million barrels of oil at January 1, 1996 by Gaffney, Cline & Associates ("Gaffney, Cline"), independent reserve engineers. In addition, the Company has a 12.5% non-operating interest in the Secure Block which is adjacent to and west of Mamore I. In 1995, the Company conducted a seismic program covering approximately 450 kilometers of the Secure Block and plans to continue this program in 1996. During 1995, the Company signed a contract to acquire a 25% interest in the Caipipendi Block operated by Chevron Corporation.

#### Venezuela

Discovered in 1928, the Quiriquire field in Venezuela was produced through 1985. In 1993, it was offered as a reactivation field as part of the Venezuelan second round of bids, at which time Maxus (95%) and Otepi Consultores, S.A., predecessor to Corporacion Energetica S.21, C.A., (5%) signed a contract for the unit with Lagoven, an affiliate of Petroleos de Venezuela, S.A. In 1994, the Company conveyed a 45% interest in the Quiriquire Unit to BP Exploracion de Venezuela S.A., reducing its previous 95% interest in the unit to 50%. The contract with Lagoven requires a \$36 million investment in drilling and seismic programs by mid-year 1997, the Company's share of which is \$18 million. To date, the Company has completed the performance of a three-dimensional seismic program on the Quiriquire Unit. In addition, it has commenced the drilling of one of two commitment exploratory wells and has begun a reactivation program, including the drilling of one delineation well. The Quiriquire Unit currently produces

approximately 2,000 gross bpd of crude oil. In January 1996, the Company acquired an interest in a second block, Guarapiche, adjacent to the Quiriquire Unit. The Guarapiche block is operated by BP Exploration Orinoco Limited.

#### Other Foreign Countries

The Company is also undertaking exploration and production activities in three other foreign areas. In the East China Sea, the Company operates two blocks, one in which it has a 60% working interest and one in which it has a 100% working interest. Two and three dimensional seismic surveys on the blocks have been completed. During 1995, a dry hole was drilled, and in the first quarter of 1996 a second dry hole was drilled. The Company's exploration commitment in the East China Sea is fulfilled and management does not intend to continue activities in that area. In Tunisia, during 1995, the Company relinquished its interest in the 1.1 million acre Djebel Oust Block. The Company converted its seismic option on the Zembra permit, Tunisia, to an exploration license during 1995. In Bulgaria, during 1995, the Company drilled its second dry hole on a one million acre block which was subsequently relinquished.

During December 1995, the Company sold its overriding royalty interest in the Recetor Block, Colombia, to British Petroleum for \$25 million.

The Company's foreign petroleum exploration, development and production activities are subject to political and economic uncertainties, expropriation of property and cancellation or modification of contract rights, foreign exchange restrictions and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted, as well as risks of loss in some countries due to civil strife, acts of war, guerrilla activities and insurrection.

#### Exploration and Production--Domestic

Through its wholly owned subsidiary, Midgard Energy Company ("Midgard"), the Company currently focuses its domestic exploration and production efforts in the Texas Panhandle and western Oklahoma where it has substantial investments in natural gas gathering systems that are used to aggregate gas produced and purchased by the Company for processing and resale. The Company owns and operates two gas processing

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plants in the area: its Sunray plant in Moore County, Texas and a plant in Roger Mills County, Oklahoma. The Sunray plant, which was completed in 1993, incorporates state-of-the-art technology, including a cold box for extraction of helium. It can process approximately 200 mmcfpd at peak operation and, as of February 1, 1996, was processing approximately 175 mmcfpd.

In 1995, Midgard completed 75 net wells, as compared to 26 net wells completed in 1994. The predominant portion of the wells drilled during 1995 were completed during the second half of the year. At December 1995, net production was 138 mmcfpd, an increase of 11% from the average for the first half of 1995 of 125 net mmcfpd. Proved reserves of 70.4 bcf equivalent (net) were added during 1995, a significant increase from the 23 bcf equivalent (net) added in 1994. Midgard acquired 26 bcf equivalent (net) of reserves through producing property acquisitions in 1995. Twenty-two net wells were recompleted in 1995, an increase of 14 (net) over 1994's recompletions. Proved reserves as of January 1, 1996 were 594 bcf equivalent (net), an increase of 16% over proved reserves of 513 bcf equivalent (net) as of January 1, 1995. The Company replaced 268% of its production in 1995.

In 1996, Midgard's development plans include the continuation of its in-fill drilling program at a level comparable to 1995 and efforts to maximize processed volumes through gathering systems upgrades. Additionally, Midgard expects to pursue strategic acquisition opportunities in the gathering, processing and producing properties sectors, while drilling a portfolio of higher risk exploration wells to complement its lower risk in-fill drilling program.

The Company has begun discussions with other companies concerning the establishment of a joint venture or other alliance with regard to Midgard's business and assets. The objective of such a joint venture or alliance would be lowering unit costs, creating economies of scale and improving marketing leverage. No joint venture or other partner has been selected and no assurances can be given that attempts to establish a joint venture or other alliance will be successful.

#### Oil and Gas Operations

Average sales prices and production costs of crude oil and natural gas produced by geographic area for each year in the two-year period ended December 31, 1994, the three months ended March 31, 1995 and the nine months ended December 31, 1995 were as follows:

	NINE MONTHS ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, ----- 1994      1993 -----	
<S>	<C>	<C>	<C>	<C>
United States				
Average Sales Price				
Crude Oil (per barrel).....	\$16.29	\$16.07	\$13.89	\$16.99
Natural Gas Liquids (per barrel).....	\$10.42	\$10.27	\$10.02	\$11.08
Natural Gas Sold (per mcf) (a).....	\$ 1.54	\$ 1.42	\$ 1.89	\$ 2.13
Natural Gas Produced (per mcf) (b).....	\$ 1.97	\$ 1.89	\$ 2.10	\$ 2.26
Average Production Cost (per barrel) (c).....	\$ 3.39	\$ 3.74	\$ 3.37	\$ 3.61
Indonesia				
Average Sales Price				
Crude Oil (per barrel).....	\$17.01	\$17.54	\$15.61	\$17.31
Natural Gas Liquids (per barrel).....	\$14.33	\$19.19	\$ 9.42	\$10.57
Natural Gas Sold (per mcf) (a).....	\$ 2.62	\$ 2.65	\$ 2.24	\$ 1.30
Natural Gas Produced (per mcf) (b).....	\$ 2.64	\$ 2.73	\$ 2.53	\$ 2.35
Average Production Cost (per barrel) (c).....	\$ 6.44	\$ 7.42	\$ 6.18	\$ 6.67
South America				
Average Sales Price				
Crude Oil (per barrel).....	\$12.79	\$12.58	\$12.58	NA
Average Production Cost (per barrel) (c).....	\$ 6.30	\$ 8.99	\$ 9.36	NA

</TABLE>

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- (a) The average natural gas price for sales volumes is calculated by dividing the total net sales value for all natural gas sold by the Company, including residue gas remaining after the removal of natural gas liquids, by the annual natural gas sales volume.
- (b) The average natural gas price for produced volumes is calculated by dividing the total net value received from the sale of natural gas and natural gas liquids produced by the Company by the annual natural gas production volume.
- (c) Production or lifting cost is exclusive of depreciation and depletion applicable to capitalized lease acquisition, exploration and development expenditures. Average production costs are calculated by dividing total operating costs by the sum of crude oil and equivalent barrels of oil for natural gas production. Gas volumes produced were converted to equivalent barrels of crude oil by dividing the mcf volume by six. Six mcf of gas have approximately the heating value of one barrel of crude oil.

The Company periodically hedges against the effects of fluctuations in the prices of crude oil and natural gas through price swap agreements and futures contracts. A hedging program covered an average of 25% of the Company's United States natural gas production during 1995 and covered up to 90% of such production during the first quarter of 1996. Currently, the only remaining 1996 United States natural gas production which is hedged is approximately 30% of April and June 1996 production; however, management intends to hedge up to 90% of the remaining production for the year in the event that gas prices reach certain targeted levels.

Information regarding the Company's oil and gas producing activities for the periods indicated is set forth on pages F-30 through F-34 and F-64 through F-68 of this report. The Company's estimates of its net interests in proved reserves at December 31, 1995 are based upon records regularly prepared and maintained by its engineers. In 1995, the Company filed estimates of certain of its proved reserves of crude oil and natural gas in the United States at December 31, 1994 with the United States Department of Energy. The total reserve estimates included therein do not differ by more than 5% from the total reserve estimates for the comparable period for the same reserves included in the Company's filings with the Securities and Exchange Commission.

The following table shows the Company's average daily sales and net production (after deducting royalty and operating interests of others) by geographic area for the periods presented.

<TABLE>  
<CAPTION>

	NINE MONTHS ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, ----- 1994      1993 -----	
<S>	<C>	<C>	<C>	<C>
United States				
Average Daily Production				
Crude Oil (m barrels).....	1.1	1.0	2.4	4.9
Natural Gas (mmcf) (a).....	130	125	156	208
Average Daily Sales				
Natural Gas Liquids (m barrels).....	8.7	8.8	8.2	7.6
Natural Gas (mmcf) (b).....	104	98	131	181
Indonesia				
Average Daily Production				
Crude Oil (m barrels).....	53.0	52.0	59.3	62.4
Average Daily Sales				
Natural Gas Liquids (m barrels).....	1.7	0.9	2.1	1.5
Natural Gas (mmcf) (b).....	61	45	44	13
South America				
Average Daily Production				
Crude Oil (m barrels).....	12.4	8.5	4.6	NA
Average Daily Sales				
Crude Oil (m barrels).....	10.4	6.9	5.2	NA

</TABLE>

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(a) Reflects the average amount of daily wellhead production.

(b) Average daily sales volumes for natural gas production, reduced, in those cases where the gas is processed for extraction of natural gas liquids, by the shrinkage resulting therefrom.

In addition to gathering and processing a substantial part of the natural gas produced by the Company, the Company purchases natural gas in the Texas Panhandle and western Oklahoma for resale. The majority of this natural gas is processed through the Company's processing facilities. The table below reflects the average daily sales and average sales prices received for such purchased natural gas and the natural gas liquids extracted in processing for the periods presented.

<TABLE>  
<CAPTION>

	NINE MONTHS ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, ----- 1994      1993 -----	
<S>	<C>	<C>	<C>	<C>
Average Sales Price				
Natural Gas Liquids (per barrel).....	\$10.57	\$10.48	\$10.12	\$11.19
Natural Gas (per mcf).....	\$ 1.42	\$ 1.49	\$ 1.90	\$ 1.99
Average Daily Sales				
Natural Gas Liquids (m barrels).....	8.9	9.6	9.7	9.8
Natural Gas (mmcf).....	68	69	144	184

</TABLE>

The following tables set forth information regarding the Company's wells and leasehold acres. "Gross" wells or acres are the total number of wells or acres in which the Company owns any interest. "Net" wells or acres are the sum of the fractional working interests the Company owns in gross wells or acres. "Productive" wells are either producing wells or wells capable of commercial production although currently shut-in. One or more completions ("multiple completions") in the same bore hole are counted as one well.

At December 31, 1995, total gross and net productive oil and gas wells, including multiple completions, by geographic area were as follows:

<TABLE>  
<CAPTION>

WELLS	
OIL	GAS

	GROSS	NET	GROSS	NET
	<C>	<C>	<C>	<C>
<S>				
Oil and Gas Wells				
United States.....	363	238.4	1467	1126.4
Indonesia.....	708	269.8	12	2.9
South America.....	38	15.4	0	0.0
Total.....	1109	523.6	1479	1129.3
Multiple Completions				
United States.....	0	0.0	35	18.2
Indonesia.....	84	20.4	0	0
Total.....	84	20.4	35	18.2

&lt;/TABLE&gt;

At December 31, 1995, total gross and net developed and undeveloped acreage by geographic area was as follows:

	UNITED STATES	INDONESIA	SOUTH AMERICA	OTHER FOREIGN
	<C>	<C>	<C>	<C>
<S>				
Gross Acres				
Developed Acres.....	551,141	143,330	8,405	-0-
Undeveloped Acres.....	315,605	7,712,042	8,553,752	2,157,677
Total.....	866,746	7,855,372	8,562,157	2,157,677
Net Acres				
Developed Acres.....	465,982	54,024	3,501	-0-
Undeveloped Acres.....	179,620	2,709,540	2,289,955	1,799,876
Total.....	645,602	2,763,564	2,293,456	1,799,876

&lt;/TABLE&gt;

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## Exploration and Development Activities

Drilling activities of the Company for each year in the three-year period ended December 31, 1995 are summarized by geographic area in the following table:

	FOR THE YEAR ENDED DECEMBER 31,		
	1995	1994	1993
	<C>	<C>	<C>
<S>			
Gross wells drilled(a)			
United States			
Exploratory			
Oil.....	0	0	0
Gas.....	0	1	2
Dry.....	2	6	2
Total.....	2	7	4
Development			
Oil.....	3	2	10
Gas.....	73	44	29
Dry.....	5	4	4
Total.....	81	50	43
Indonesia			
Exploratory			
Oil.....	0	3	0
Gas.....	0	0	0
Dry.....	12	7	0
Total.....	12	10	0
Development			
Oil.....	35	38	46
Gas.....	0	1	14
Dry.....	2	2	25

Total.....	37	41	85
South America			
Exploratory			
Oil.....	1	1	2
Gas.....	0	0	0
Dry.....	1	0	3
	---	---	---
Total.....	2	1	5
Development			
Oil.....	17	13	2
Gas.....	0	0	0
Dry.....	0	0	0
	---	---	---
Total.....	17	13	2
Other Foreign			
Exploratory			
Oil.....	0	0	0
Gas.....	0	0	0
Dry.....	3	0	0
	---	---	---
Total.....	3	0	0

&lt;/TABLE&gt;

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&lt;TABLE&gt;

&lt;CAPTION&gt;

FOR THE YEAR ENDED DECEMBER 31,			
	1995	1994	1993
	---	---	---
<S>	<C>	<C>	<C>
Development			
Oil.....	0	0	0
Gas.....	0	0	0
Dry.....	0	0	0
	---	---	---
Total.....	0	0	0
Net Wells Drilled (a)			
United States			
Exploratory			
Oil.....	0.0	0.0	0.0
Gas.....	0.0	1.0	1.7
Dry.....	1.5	3.5	1.9
	---	---	---
Total.....	1.5	4.5	3.6
Development			
Oil.....	3.0	0.2	1.7
Gas.....	65.7	22.1	18.5
Dry.....	5.0	1.6	2.1
	---	---	---
Total.....	73.7	23.9	22.3
Indonesia			
Exploratory			
Oil.....	0.0	0.7	0.0
Gas.....	0.0	0.0	0.0
Dry.....	6.4	3.3	0.0
	---	---	---
Total.....	6.4	4.0	0.0
Development			
Oil.....	14.5	17.1	17.5
Gas.....	0.0	0.2	3.4
Dry.....	1.1	0.5	9.1
	---	---	---
Total.....	15.6	17.8	30.0
South America			
Exploratory			
Oil.....	.4	0.4	2.0
Gas.....	0.0	0.0	0.0
Dry.....	.6	0.0	2.1
	---	---	---
Total.....	1.0	0.4	4.1
Development			
Oil.....	7.2	4.6	2.0
Gas.....	0.0	0.0	0.0
Dry.....	0.0	0.0	0.0
	---	---	---
Total.....	7.2	4.6	2.0

Other Foreign			
Exploratory			
Oil.....	0.0	0.0	0.0
Gas.....	0.0	0.0	0.0
Dry.....	2.6	0.0	0.0
	---	---	---
Total.....	2.6	0.0	0.0

&lt;/TABLE&gt;

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&lt;TABLE&gt;

&lt;CAPTION&gt;

FOR THE YEAR ENDED  
DECEMBER 31,

	1995	1994	1993
	---	---	---
<S>	<C>	<C>	<C>
Development			
Oil.....	0.0	0.0	0.0
Gas.....	0.0	0.0	0.0
Dry.....	0.0	0.0	0.0
	---	---	---
Total.....	0.0	0.0	0.0

&lt;/TABLE&gt;

-----

(a) "Gross" wells means all wells in which the Company has an interest. "Net" wells means gross wells after deducting interests of others.

At December 31, 1995, the Company was participating in the drilling of 7 gross and 6.3 net wells in the United States, 4 gross and 1.6 net wells in Indonesia and 2 gross and .8 net wells in areas outside the United States other than Indonesia.

#### Competition and Markets

The primary markets for the Company's Indonesian oil production are the Pacific Rim countries, including Japan, China and Indonesia. The increasing environmental consciousness of this region has resulted in premium prices for low sulfur oil such as that produced from the Southeast Sumatra and Northwest Java areas. The Company has ongoing business relationships with government oil companies, utilities, refiners and trading companies which are expected to continue to facilitate sales in this area. The Company believes that the long-term potential for growth in natural gas demand in North America remains high due to environmental advantages of natural gas relative to other sources of energy; however, market prices remain extremely volatile, with weather and regional supply and demand imbalances causing the potential for large monthly price swings. The Company has concentrated its domestic natural gas production in its mid-continent division (Midgard), which encompasses the Texas Panhandle and western Oklahoma. The Company's Sunray gas plant is located near the intersection of three major interstate pipelines, giving the Company a choice of markets for its gas sales, thereby enabling it to maximize prices. Approximately 25% of the Company's natural gas sales in 1995 were made directly to local gas distribution companies and industrial and agricultural users through term contracts, and the remaining 75% was sold on the spot market.

The Company sells crude oil, natural gas and natural gas liquids to a wide number of customers, including refineries, industrial consumers and utilities. Oil and gas are essentially commodities, and the Company's production represents only a small fraction of the total world markets for these products. As a result, the prices the Company receives depend primarily on the relative balance between supply and demand in these markets.

The world oil market continues to be subject to uncertainty. Iraq has not yet legally resumed oil sales due to its failure to agree to United Nations imposed conditions on such sales, but the possibility of renewed Iraqi production continues to overhang the market. Oil prices showed some positive gains in 1995, but continue to be subject to volatile price swings due to the maintenance of lower inventories by refining centers and increased competition for the limited growth in demand in developed countries from additional availabilities from non-OPEC countries and excessive OPEC production.

#### Health, Safety and Environmental Controls

Federal, state and local laws and regulations relating to health and environmental quality in the United States as well as environmental laws and



regulations of other countries in which the Company operates affect nearly all of the operations of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish in certain circumstances remedial obligations. In addition, especially stringent measures and special provisions may be appropriate or required in environmentally sensitive foreign areas of operation, such as those in Ecuador.

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Many of the Company's United States operations are subject to requirements of the Safe Drinking Water Act, the Clean Water Act, the Clean Air Act (as amended in 1990), the Occupational Safety and Health Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), and other federal, as well as state, laws. Such laws address, among other things, limits on the discharge of wastes associated with oil and gas operations, investigation and clean-up of hazardous substances, and workplace safety and health. In addition, these laws typically require compliance with associated regulations and permits and provide for the imposition of penalties for noncompliance. The Clean Air Act Amendments of 1990 may benefit the Company's business by increasing the demand for natural gas as a clean fuel.

The Company believes that its policies and procedures in the area of pollution control, product safety and occupational health are adequate to prevent unreasonable risk of environmental and other damage, and of resulting financial liability, in connection with its business. Some risk of environmental and other damage is, however, inherent in particular operations of the Company and, as discussed below, the Company has certain potential liabilities associated with former operations. The Company cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies, could in the future require material expenditures by the Company for the installation and operation of systems and equipment for remedial measures and in certain other respects.

In connection with the sale of the Company's former chemical subsidiary, Diamond Shamrock Chemicals Company ("Chemicals"), to Occidental Petroleum Corporation ("Occidental") in 1986, the Company agreed to indemnify Chemicals and Occidental from and against certain liabilities relating to the business or activities of Chemicals prior to the September 4, 1986 closing date (the "Closing Date"), including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date.

In addition, the Company agreed to indemnify Chemicals and Occidental for 50% of certain environmental costs incurred by Chemicals for which notice is given to the Company within 10 years after the Closing Date on projects involving remedial activities relating to chemical plant sites or other property used in the conduct of the business of Chemicals as of the Closing Date and for any period of time following the Closing Date, with the Company's aggregate exposure for this cost sharing being limited to \$75 million. The total expended by the Company under this sharing arrangement was about \$39 million as of December 31, 1995. Occidental Chemical Corporation ("OxyChem"), a subsidiary of Occidental, and Henkel Corporation ("Henkel"), an assignee of certain of Occidental's rights and obligations, have filed a declaratory judgment action in Texas state court with respect to the Company's agreement in this regard. (See "Item 3. Legal Proceedings.")

In connection with the spin-off of Diamond Shamrock R&M, Inc., now known as Diamond Shamrock, Inc. ("DSI"), in 1987, the Company and DSI agreed to share the costs of losses (other than product liability) relating to businesses disposed of prior to the spin-off, including Chemicals. Pursuant to this cost-sharing agreement, the Company bore the first \$75 million of such costs and DSI bore the next \$37.5 million. Under the arrangement, such ongoing costs are now borne one-third by DSI and two-thirds by the Company. This arrangement will continue until DSI has borne an additional \$47.5 million, following which such costs will be borne solely by the Company. As of December 31, 1995, DSI's remaining responsibility is approximately \$8 million.

In 1995, the Company spent \$6 million in environmental related expenditures in its oil and gas operations. Expenditures in 1996 are expected to be approximately \$8 million.

The Company's total expenditures for environmental compliance for disposed of businesses, including Chemicals, were approximately \$38 million in 1995, \$12 million of which was recovered from DSI under the above described cost-sharing

agreement. Those expenditures are projected to be approximately \$23 million in 1996 after recovery from DSI under such agreement.

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The insurance companies that wrote Chemicals' and the Company's primary and excess insurance during the relevant periods have to date refused to provide coverage for most of Chemicals' or the Company's cost of the personal injury and property damage claims related to environmental claims, including remedial activities at chemical plant sites and disposal sites. In two actions filed in New Jersey state court, the Company has been conducting litigation against all of these insurers for declaratory judgments that it is entitled to coverage for certain of these claims. In 1989, the trial judge in one of the New Jersey actions ruled that there is no insurance coverage with respect to the claims related to the Newark plant (discussed below). The trial court's decision was upheld on appeal and that action is now ended. The other suit, which is pending, covers disputes with respect to insurance coverage related to certain other environmental matters.

Newark, New Jersey. A consent decree, previously agreed upon by the U.S. Environmental Protection Agency (the "EPA"), the New Jersey Department of Environmental Protection and Energy (the "DEP") and Occidental, as successor to Chemicals, was entered in 1990 by the United States District Court of New Jersey and requires implementation of a remedial action plan at Chemicals' former Newark, New Jersey agricultural chemicals plant. Engineering for such plan, which will include an engineering estimate of the cost of construction, is progressing. Construction is expected to begin in 1997, cost approximately \$22 million and take three to four years to complete. The work is being supervised and paid for by the Company pursuant to its above-described indemnification obligation to Occidental.

Studies have indicated that sediments of the Newark Bay watershed, including the Passaic River adjacent to the plant, are contaminated with hazardous chemicals from many sources. Studies performed by the Company and others suggest that contaminants historically discharged by the Newark plant are buried under several feet of more recent sediment deposits and are not moving. The Company, on behalf of Occidental, negotiated an agreement with the EPA under which the Company is conducting further testing and studies to characterize contaminated sediment in a six-mile portion of the Passaic River near the plant site. The Company currently expects such testing and studies to be completed in 1999 and cost from \$4 million to \$6 million after December 31, 1995. The Company has been conducting similar studies under its own auspices for several years. Until these studies are completed and evaluated, the Company cannot reasonably forecast what regulatory program, if any, will be proposed for the Passaic River or the Newark Bay watershed.

Hudson County, New Jersey. Until 1972, Chemicals operated a chromium ore processing plant at Kearny, New Jersey. According to the DEP, wastes from these ore processing operations were used as fill material at a number of sites in Hudson County.

As a result of negotiations between the Company (on behalf of Occidental) and the DEP, Occidental signed an administrative consent order with the DEP in 1990 for investigation and remediation work at certain chromite ore residue sites in Kearny and Secaucus, New Jersey. The work is being performed by the Company on behalf of Occidental, and the Company is funding Occidental's share of the cost of investigation and remediation of these sites and is currently providing financial assurance for performance of the work in the form of a self-guarantee in the amount of \$20 million subject to the Company's continuing ability to satisfy certain financial tests specified by the State. This financial assurance may be reduced with the approval of the DEP following any annual cost review. While the Company has participated in the cost of studies and is implementing interim remedial actions and conducting remedial investigations and feasibility studies, the ultimate cost of remediation is uncertain. The Company anticipates submitting its investigation and feasibility reports to the DEP in late 1996 or 1997. The results of the DEP's review of these reports could impact the cost of any further remediation that may be required. In addition, the DEP has indicated that it expects Occidental and the Company to participate with the other chromium manufacturers in the funding of certain remedial activities with respect to a number of so-called "orphan" chrome sites located in Hudson County, New Jersey. Occidental and the Company have declined participation as to those sites for which there is no evidence of the presence of residue generated by Chemicals. The Governor of New Jersey issued an Executive Order requiring state agencies to provide specific justification for any state requirements more stringent than federal requirements. The DEP has indicated that it may be revising its soil action level upwards towards the higher soil screening levels proposed by the EPA in 1994.

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Painesville, Ohio. From about 1912 through 1976, Chemicals operated manufacturing facilities in Painesville, Ohio. The operations over the years involved several discrete but contiguous plant sites over an area of about 1,300 acres. The primary area of concern historically has been Chemicals' former chromite ore processing plant (the "Chrome Plant"). For many years, the site of the Chrome Plant has been under the administrative control of the EPA pursuant to an administrative consent order under which Chemicals is required to maintain a clay cap over the site and to conduct certain ground water and surface water monitoring. Many other sites have previously been clay-capped and one specific site, which was a waste disposal site from the mid-1960s until the 1970s, has been encapsulated and is being controlled and monitored. In September 1995, the Ohio Environmental Protection Agency (the "OEPA") issued its Directors' Final Findings and Order (the "Director's Order") by consent ordering that a remedial investigation and feasibility study (the "RIFS") be conducted at the former Painesville plant area. The Company has agreed to participate in the RIFS as required by the Director's Order. It is estimated that the total cost of performing the RIFS will be \$3 million to \$5 million over the next three years. In spite of the many remedial, maintenance and monitoring activities performed, the former Painesville plant sites have been proposed for listing on the National Priority List under CERCLA; however, the EPA has stated that the site will not be listed so long as it is satisfactorily addressed pursuant to the Director's Order and OEPA's programs. The scope and nature of any further investigation or remediation that may be required cannot be determined at this time.

Other Former Plant Sites. Environmental remediation programs are in place at all other former plant sites where material remediation is required in the opinion of the Company. Former plant sites where remediation has been completed are being maintained and monitored to insure continued compliance with applicable laws and regulatory programs.

Third Party Sites. Chemicals has also been designated as a potentially responsible party ("PRP") by the EPA under CERCLA with respect to a number of third party sites, primarily off of Chemicals' properties, where hazardous substances from Chemicals' plant operations allegedly were disposed of or have come to be located. Numerous PRPs have been named at substantially all of these sites. At several of these, Chemicals has no known exposure. Although PRPs are almost always jointly and severally liable for the cost of investigations, cleanups and other response costs, each has the right of contribution from other PRPs and, as a practical matter, cost sharing by PRPs is usually effected by agreement among them. Accordingly, the ultimate cost of these sites and Chemicals' share of the costs thereof cannot be estimated at this time, but are not expected to be material except possibly as a result of the matters described below.

1. Fields Brook; Ashtabula, Ohio. At the time that Chemicals was sold to Occidental, Chemicals operated a chemical plant at Ashtabula, Ohio which is adjacent to Fields Brook. Occidental has continued to operate the Ashtabula plant. In 1986, Chemicals was formally notified by the EPA that it was a PRP for the Fields Brook site. The site is defined as Fields Brook, its tributaries and surrounding areas within the Fields Brook watershed. At least 15 other parties are presently considered to be financially responsible PRPs. In 1986, the EPA estimated the cost of sediment remediation at the site would be \$48 million. The PRPs, including Occidental, have developed an allocation agreement for sharing the costs of the work in Fields Brook ordered by the EPA. Under the allocation, the Occidental share for Chemicals' ownership of the Ashtabula plant would be about five percent of the total, assuming all viable PRPs were to participate.

In 1990, the OEPA, as state trustee for natural resources under CERCLA, advised previously identified PRPs, including Chemicals, that the OEPA intended to conduct a Natural Resource Damage Assessment of the Fields Brook site to calculate a monetary value for injury to surface water, groundwater, air, and biological and geological resources at the site. Also, although Fields Brook empties into the Ashtabula River which flows into Lake Erie, it is not known to what extent, if any, the EPA will propose remedial action beyond Fields Brook for which the Fields Brook PRPs might be asked to bear some share of the costs. Until all preliminary studies and necessary governmental actions have been completed and negotiated or judicial allocations have been made, it is not possible for the Company to estimate what the response costs, response activities or natural resource damages, if any, may be for Fields Brook or related areas, the parties responsible therefor or their respective shares.

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It is the Company's position that costs attributable to the Ashtabula plant fall under the Company's above-described cost sharing arrangement with Occidental under which the Company bears one-half of certain costs up to an aggregate dollar cap. Occidental, however, has contended that it is entitled to full indemnification from the Company for such costs, and the outcome of this dispute cannot be predicted.

2. French Limited Disposal Site; Crosby, Texas. The PRPs, including Chemicals (represented by the Company), entered into a consent decree and a related trust agreement with the EPA with respect to this disposal site. The consent decree was entered by the federal court as a settlement of the EPA's claim for remedial action. Chemical's share of the cost to complete remediation at this site is expected to be approximately \$500,000.

3. SCP/Carlstadt Site; Carlstadt, New Jersey. Chemicals' share of remediation costs at this CERCLA site would be approximately one percent, based on relative volume of waste shipped to the site. An interim remedy has now been implemented at the site by the PRPs but no estimate can be made at this time of ultimate costs of remediation which may extend to certain off-site locations.

4. Chemical Control Site; Elizabeth, New Jersey. The DEP has demanded of PRPs (including Chemicals) reimbursement of the DEP's alleged \$34 million (including interest through December 31, 1995) in past costs for its partial cleanup of this site. The PRPs and the EPA have settled the federal claims for cost recovery and site remediation, and remediation is now complete. Based on the previous allocation formula, it is expected that Chemicals' share of any money paid to the DEP for its claim would be approximately two percent.

#### Employees

As of December 31, 1995, the Company had approximately 2,275 employees.

#### ITEM 3. LEGAL PROCEEDINGS.

In connection with the tender offer by YPFA Corp. and Merger, a number of holders of Common Stock sued in the Chancery Court of the State of Delaware. In the various complaints, the plaintiffs purported to sue individually and on behalf of classes comprised of the holders of shares of Common Stock, stockholders of the Company or all holders of the Company's securities. The complaints named as defendants the Company, the directors and certain of the officers of the Company, a former director of the Company and, with respect to some of the complaints, YPF, and alleged, among other things, that the defendant directors and officers of the Company breached their fiduciary duties in approving the Offer and the Merger and that YPF aided and abetted the alleged breach of duties. The plaintiffs purported to seek orders enjoining the consummation of the Offer and the Merger (or the rescission of those transactions) or, in the alternative, an accounting for any damages to the alleged classes, together with their attorneys' fees and other relief. These lawsuits were consolidated into one action and, in September 1995, were settled with no payment to the class members. However, as a part of the settlement, the Company was ordered to pay \$800,000 in attorneys' fees to the plaintiffs' class counsel.

In November 1995, OxyChem filed suit in Texas state court seeking a declaration of certain of the parties' rights and obligations under the sales agreement pursuant to which the Company sold Chemicals to Occidental. Henkel joined in said lawsuit as a plaintiff in January 1996. Specifically, OxyChem and Henkel are seeking a declaration that the Company is required to indemnify them for 50% of certain environmental costs incurred on projects involving remedial activities relating to chemical plant sites or other property used in connection with the business of Chemicals on the Closing Date which relate to, result from or arise out of conditions, events or circumstances discovered by OxyChem or Henkel and as to which the Company is provided written notice by OxyChem or Henkel prior to the expiration of ten years following the Closing Date, irrespective of when OxyChem or Henkel incurs and gives notice of such costs, subject to an aggregate \$75 million cap. The Company believes that this lawsuit is without merit and intends to defend same vigorously.

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As of December 31, 1995, the Company had paid OxyChem and Henkel a total of approximately \$39 million against said \$75 million cap. The Company cannot predict what portion of the approximately \$36 million remaining as of that date Occidental and Henkel may actually pay or incur prior to September 4, 1996, the tenth anniversary of the Closing Date, if they accelerate spending with respect to such environmental costs.

See also the heading "Health, Safety and Environmental Controls" under

"Items 1 and 2. Business and Properties" of this report for a description of certain other legal proceedings, which description is incorporated herein by reference.

The Company is involved in various other legal proceedings incidental to its business, the outcome of any of which should not have a material adverse effect on its financial position.

#### ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS.

Inapplicable.

### PART II

#### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

There is no established public trading market for the Common Stock. At March 1, 1996, YPF was the sole holder of record of the Common Stock.

Midgard and Maxus Indonesia, Inc., subsidiaries of the Company, are parties to separate credit agreements which places certain restrictions on the ability of these subsidiaries to make or declare certain payments, advances and loans specified therein, including dividends to the Company. (For a further description of these credit agreements, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Significant Events 1995"). While these restrictions could impact the ability of the Company to pay dividends on its Common Stock, the Company has paid no such dividends since 1987, and cash flows are currently being dedicated to exploration and development projects rather than to such payment. The Company intends to continue paying regular quarterly dividends on its \$4.00 Preferred Stock, \$9.75 Cumulative Convertible Preferred Stock ("9.75 Preferred Stock") and \$2.50 Preferred Stock.

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#### ITEM 6. SELECTED FINANCIAL DATA.

##### FIVE-YEAR FINANCIAL SUMMARY (DOLLARS IN MILLIONS, EXCEPT FOR PER SHARE DATA)

	NINE MONTHS ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1995	1994	1993	1992	1991
<S>	<C>	<C>	<C>	<C>	<C>	<C>
<b>OPERATIONS</b>						
Sales and operating revenues.....	\$ 463.8	\$ 142.5	\$ 682.1	\$ 786.7	\$ 718.4	\$ 790.8
Net income (loss) before extraordinary item and cumulative effect of change in accounting principle.....	(73.7)	(56.9)	(22.7)	(37.9)	74.2	(11.2)
Extraordinary item.....				(7.1)		
Cumulative effect of change in accounting principle.....				(4.4)		
Net income (loss).....	\$ (73.7)	\$ (56.9)	\$ (22.7)	\$ (49.4)	\$ 74.2	\$ (11.2)
<b>FINANCIAL POSITION</b>						
Current assets.....	\$ 266.4	\$ 394.6	\$ 441.9	\$ 404.7	\$ 391.2	\$ 205.7
Current liabilities.....	306.4	224.3	171.0	263.4	327.9	249.3
Properties and equipment, less accumulated depreciation, depletion and amortization.....	2,363.6	1,110.7	1,088.4	1,305.6	1,138.3	1,075.2
Total assets.....	2,716.8	1,692.1	1,706.7	1,987.4	1,811.6	1,451.5
Long-term debt, including current portion.....	1,295.5	975.6	975.6	1,055.1	829.4	788.9
Deferred income taxes.....	551.2	199.7	199.3	198.3	152.9	142.9
Redeemable preferred stock.....	125.0	125.0	125.0	250.0	250.0	250.0
Stockholders' equity (deficit)....	240.0	13.5	91.1	147.9	171.6	(55.9)
<b>OTHER DATA</b>						
Expenditures for properties and equipment--including dry hole costs.....	\$ 137.4	\$ 53.6	\$ 166.2	\$ 340.0	\$ 261.1	\$ 272.3
Total exploration and development expenditures (whether capitalized or expensed).....	165.5	60.6	197.2	376.8	256.7	303.0

Preferred dividends paid.....	28.8	9.6	43.6	41.7	41.7	41.7
Depreciation, depletion and amortization.....	142.1	29.9	140.2	153.6	174.4	203.6
PER COMMON SHARE						
Net income (loss) before extraordinary item and cumulative effect of change in accounting principle.....	\$ (.76)	\$ (.49)	\$ (.49)	\$ (.60)	\$ .27	\$ (.52)
Extraordinary item.....				(.05)		
Cumulative effect of change in accounting principle.....				(.03)		
Net income (loss).....	\$ (.76)	\$ (.49)	\$ (.49)	\$ (.68)	\$ .27	\$ (.52)

&lt;/TABLE&gt;

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## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## Significant Events 1995

On June 8, 1995, a special meeting of the stockholders of Maxus Energy Corporation (the "Company" or "Maxus") was held to approve the Agreement of Merger ("Merger Agreement") dated February 28, 1995, between the Company, YPF Acquisition Corp. (the "Purchaser" or "YPFA Corp.") and YPF Sociedad Anonima ("YPF"). The holders of the Company's common stock, \$1.00 par value per share (the "Shares"), and \$4.00 Cumulative Convertible Preferred Stock (the "\$4.00 Preferred Stock" and together with the Shares, the "Voting Shares") approved the Merger Agreement, and the Purchaser was merged into the Company (the "Merger") on June 8, 1995 (the "Merger Date").

Pursuant to the Merger Agreement, a tender offer (the "Offer") was commenced on March 6, 1995 by the Purchaser for all the outstanding Shares at \$5.50 per Share. Pursuant to the Offer, in April 1995 the Purchaser acquired 120,000,613 Shares representing approximately 88.5% of the then-outstanding Shares of the Company. As a result of the Merger, each outstanding Share (other than Shares held by the Purchaser, YPF or any of their subsidiaries or in the treasury of the Company, all of which were cancelled in the second quarter of 1995, and Shares of holders who perfected their appraisal rights under Section 262 of the Delaware General Corporation Law) was converted into the right to receive \$5.50 in cash, and YPF became the sole holder of all outstanding Shares. The Company's preferred stock, consisting of the \$4.00 Preferred Stock, \$2.50 Cumulative Preferred Stock (the "\$2.50 Preferred Stock") and \$9.75 Cumulative Convertible Preferred Stock (the "9.75 Preferred Stock"), remain outstanding. YPF currently owns approximately 96.9% of the outstanding Voting Shares.

The total amount of funds required by the Purchaser to acquire the entire common equity interest in the Company, including the purchase of Shares pursuant to the Offer and the payment for Shares converted into the right to receive cash pursuant to the Merger, was approximately \$762 million. On April 5, 1995, the Purchaser entered into a credit agreement (the "Credit Agreement") with lenders for which The Chase Manhattan Bank (National Association) ("Chase") acted as agent, pursuant to which the lenders extended to the Purchaser a credit facility for up to \$550 million (the "Purchaser Facility"). On April 5, 1995, the Purchaser borrowed \$442 million under the Purchaser Facility and received a capital contribution of \$250 million from YPF. The Purchaser used borrowings under the Purchaser Facility and the funds contributed to it by YPF to purchase 120,000,613 Shares pursuant to the Offer. Subsequent to the Merger, these Shares and all other outstanding Shares vested in YPF.

Following the Merger, Chase provided two additional credit facilities aggregating \$425 million: (i) a credit facility of \$250 million extended to Midgard Energy Company ("Midgard"), a wholly owned subsidiary of the Company, and (ii) a credit facility of \$175 million extended to Maxus Indonesia, Inc. ("Holdings"), a wholly owned subsidiary of the Company. The proceeds of the loans made pursuant to these facilities were used to repay, in part, the Purchaser Facility, which was assumed by the Company pursuant to the Merger. In addition, the Company applied \$8 million of its available cash to repayment of the Purchaser Facility and used approximately \$86 million of its available cash to pay holders of Shares converted into the right to receive cash in the Merger.

Effective April 1, 1995, the Company used the purchase method of accounting to record the acquisition of the Company by YPF. In a purchase method combination, the purchase price is allocated to the acquired assets and assumed liabilities based on their fair values at the date of acquisition. As a result, the assets and liabilities of the Company were revalued to reflect the approximate \$762 million cash purchase price paid by YPF to acquire the Company.

The Company's oil and gas properties were assigned carrying amounts based on their relative fair market values. The Company's pre-Merger Consolidated Balance Sheet as of March 31, 1995, together with the purchase method accounting adjustments, became the Company's opening post-Merger Consolidated Balance Sheet on April 1, 1995. Because of these purchase adjustments, which were effected April 1, 1995, the Company's financial statements for the nine-month period ended December 31, 1995, are not comparable to such statements for prior periods. Accordingly, separate financial statements for periods prior to April 1, 1995 and for the nine-month period ended December 31, 1995 are presented.

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#### Significant Events 1994

Maxus responded to many financial and operational challenges in 1994 which culminated with the Company's agreement to merge with YPF in 1995.

Financially, significant natural gas and crude oil price declines in 1994 contributed to Maxus' decision to streamline operations by decreasing overhead and operating expenses, lowering program spending and redeeming certain preferred stock. During the second quarter of 1994, the Company also sold its interest in Diamond Shamrock Offshore Partners Limited Partnership ("Offshore Partners") and certain producing oil and gas properties in Maxus' U.S. Southern Division for \$325 million net ("the Divested Properties"). Additionally, the Company sold its geothermal subsidiary, Thermal Power Company, for approximately \$58 million net in cash and a note for \$6.5 million. A portion of the proceeds from these sales was used to reduce debt and redeem 625,000 shares of the \$9.75 Preferred Stock for \$63 million.

Operationally, the Company initiated production from all three of Maxus' South American operations--Ecuador, Bolivia and Venezuela. The Sunray gas plant experienced its first full year of operation and achieved the operating efficiencies and cost savings (approximately \$14 million annually) that had been anticipated. Additionally, net production from the Northwest Java gas project averaged approximately 44 million cubic feet per day ("mmcfpd") during 1994, resulting in \$30 million of additional revenues.

#### Results for the Nine Months Ended December 31, 1995

For the nine months ended December 31, 1995, Maxus reported a net loss of \$74 million. Comparative information for the nine months ended December 31, 1994, is not presented due to the Merger with YPF which was effective April 1, 1995.

**Sales and Operating Revenues.** Sales and operating revenues for the nine months ended December 31, 1995, were \$464 million composed of \$298 million from Maxus' Indonesian operations, \$129 million from U.S. operations and \$37 million from South American operations.

Maxus' net worldwide crude oil sales volumes were 64 thousand barrels per day ("mbpd") during the nine-month period ended December 31, 1995, which were comprised of 53 mbpd from Maxus' Indonesian operations, 10 mbpd from South American operations and one mbpd from U.S. operations. Maxus' net worldwide crude oil sales volumes increased from 60 mbpd in the third quarter of 1995 to 73 mbpd in the fourth quarter of 1995 due primarily to the recognition of cumulative year-to-date production from the Southern Amo Field in Ecuador in the fourth quarter of 1995, as this production had not previously been approved by the Ecuadorian government, and the sole crude oil sale in Bolivia in October 1995. Despite natural declines in gross crude oil production in Indonesia over the nine months ended December 31, 1995, Indonesian crude oil sales volumes increased slightly due primarily to higher cost recovery. During the nine months ended December 31, 1995, Maxus' average worldwide crude oil price was \$16.31 per barrel.

During the nine-month period ended December 31, 1995, U.S. natural gas sales volumes were 172 mmcfpd and U.S. natural gas prices averaged \$1.49 per thousand cubic feet ("mcf"). Although U.S. natural gas sales volumes remained relatively flat over the nine months ended December 31, 1995, the success of the 1995 Midgard infill drilling program offset the natural declines from the area. In the future, Maxus expects its Midgard infill drilling program to continue to offset any natural declines. U.S. natural gas prices rose from \$1.40 per mcf in the third quarter of 1995 to \$1.64 per mcf in the fourth quarter of 1995 which favorably impacted revenues \$4 million. During the nine-month period ended December 31, 1995, Northwest Java natural gas sales volumes were 61 mmcfpd and Northwest Java natural gas prices averaged \$2.62 per mcf.

Natural gas liquids sales volumes in the U.S. were 18 mbpd and U.S. natural gas liquids prices averaged \$10.49 per barrel.

Costs and Expenses. Costs and expenses were \$536 million during the nine months ended December 31, 1995. Costs and expenses during this period included operating expenses of \$174 million; gas purchase costs of

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\$41 million; exploration expenses of \$51 million; depreciation, depletion and amortization ("DD&A") of \$142 million; interest and debt expenses of \$105 million and other costs and expenses totaling \$23 million.

DD&A of \$142 million during the nine-month period ended December 31, 1995, included \$43 million of additional DD&A reflecting the impact of the purchase price allocation which increased the book value of the Company's oil and gas properties and equipment. The book value of oil and gas properties and equipment increased approximately \$1.3 billion as a result of the purchase price allocation.

In the nine-month period ended December 31, 1995, interest and debt expenses of \$105 million included \$27 million of interest expense associated with the Purchaser Facility and, Midgard and Holdings credit facilities. Also included in interest and debt expenses during this period was \$6 million of interest associated with the accretion of discount on the Company's long-term debt which was outstanding prior to the Merger. These borrowings were recorded at their fair market value in the purchase method of accounting which resulted in a reduction in their carrying value of \$115 million. This reduction in carrying value will be amortized to interest expense over the remaining term of the borrowings.

Other Revenues, Net. During the nine months ended December 31, 1995, other revenues, net were \$7 million which included \$10 million of interest income, a \$2 million gain which represented the final settlement of the Company's sole interest rate swap agreement prior to its termination and a \$2 million gain recognized on the sale of U.S. Treasury notes partially offset by a \$3 million production bonus payment stemming from the Company's Indonesian operations and \$5 million of accrued expenses. In the future, the Company anticipates recognizing less interest income as a result of maintaining only minimal balances of cash, cash equivalents and short-term investments to cover working capital fluctuations. Capital contributions from YPF are expected to cover any additional funding needs.

Income Taxes. Income tax expense of \$9 million for the nine-month period ended December 31, 1995, included \$63 million of current foreign income tax expense primarily from Indonesian operations partially offset by a \$49 million deferred tax benefit due primarily to the higher DD&A associated with the increase in book value of the Company's oil and gas properties and equipment as a result of the purchase price allocation. In addition, the Company received \$5 million of interest income on U.S. federal income tax refunds. This interest income was not previously accrued in prior periods. In the future, the Company expects to realize additional deferred tax benefits as a result of the higher DD&A.

#### Comparison of Results

Three Months Ended March 31, 1995 vs. Three Months Ended March 31, 1994

Maxus reported a net loss of \$57 million for the first quarter of 1995 compared to a net loss of \$11 million for the first quarter of 1994. The first quarter 1995 results reflect \$42 million of pre-Merger costs incurred by the Company prior to the Merger. Such costs included expenses associated with financial consulting and legal services, severance payments pursuant to change of control agreements and payments for surrender of stock options and restricted stock.

Sales and Operating Revenues. Sales and operating revenues for the first quarter of 1995 were \$143 million, compared to \$187 million for the same 1994 period. The loss of production from the Divested Properties which were sold in the second quarter of 1994 and lower volumes of purchased gas accounted for \$45 million of the revenue decline. Additionally, U.S. natural gas prices fell, which also unfavorably impacted revenues \$12 million for the three months ended March 31, 1995. These declines were partially offset by first quarter 1995 revenue of \$8 million from South America. Initial sales from the Company's South American operations were recorded in the third quarter 1994.

Net worldwide crude oil production was 60 mbpd in the first quarter 1995, compared to 69 mbpd in the same quarter a year ago. Domestic crude oil volumes declined four mbpd during the period due to the loss of production from the Divested Properties resulting in lower revenues of \$5 million. Crude oil sales



from the Company's Indonesian operations were also down 12 mbpd during the period primarily as a result of lower entitlements due to higher crude oil sales prices and lower production. Offsetting these declines, production from South America of seven mbpd provided an additional \$8 million of revenues in 1995.

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U. S. natural gas sales for the first quarter of 1995 were 167 mmcfpd, a decrease of 208 mmcfpd as compared to the first quarter 1994 resulting in lower revenues of \$42 million. The decline was driven by the loss of production from the Divested Properties and lower volumes of gas purchased for resale. The average gas price received in the U. S. was \$1.45 per mcf in the first quarter 1995 as compared to \$2.24 per mcf in the same 1994 period.

Northwest Java natural gas volumes of 40 mmcfpd in the first quarter 1995 were eight mmcfpd higher than the first quarter 1994. Natural gas sales prices improved to an average of \$2.65 per mcf during the first quarter 1995 from \$1.81 per mcf during the same period last year due to the change in contract terms which increased the price received for "old" gas production from \$0.20 per mcf to \$2.65 per mcf effective January 1, 1995. The higher Northwest Java natural gas volumes coupled with the higher average natural gas price resulted in increased revenues of \$4 million in the first quarter of 1995.

Natural gas liquids sales in the U. S. for the first quarter 1995 were 18 mbpd, a slight decrease over first quarter last year. The average sales price for U.S. natural gas liquids in the first quarter of 1995 was \$10.38 per barrel, an increase of \$1.15 per barrel from 1994.

Costs and Expenses. Costs and expenses for the first quarter of 1995 were \$190 million which were relatively flat compared to the first quarter of 1994. Costs and expenses for the first quarter of 1995 included Maxus pre-Merger costs of \$42 million which were partially offset by lower gas purchase costs of \$31 million when compared to the first quarter of 1994.

Gas purchase costs were \$31 million lower in the first quarter of 1995 as compared to first quarter 1994 due to the lower volumes of gas purchased to aggregate with the production from the Divested Properties, the reduction in volumes of gas purchased for resale and lower natural gas prices.

DD&A of \$30 million for the first quarter 1995 was \$8 million lower than the same period of the prior year. Approximately \$11 million of this decline represents DD&A from the Divested Properties included in the first quarter of 1994. Partially offsetting this decline was \$4 million of DD&A in the first quarter of 1995 associated with South American operations which did not go into production until late 1994.

Income Taxes. Income tax expense was \$19 million and \$16 million in the first quarters of 1995 and 1994, respectively. The increase in income tax expense was primarily due to higher Indonesian taxes as a result of increased taxable income from the Company's Indonesian operations.

#### Comparison of Results

Twelve Months Ended December 31, 1994 vs. Twelve Months Ended December 31, 1993

Maxus reported a net loss of \$23 million in 1994 compared to a net loss of \$49 million in 1993.

Sales and Operating Revenues. Sales and operating revenues dropped 13%, or \$105 million, during 1994 when compared to 1993. The loss of production from the Divested Properties and lower volumes of purchased gas which were aggregated and sold with the production from the Divested Properties accounted for \$86 million of the revenue decline. Additionally, worldwide oil and gas prices fell, which further compounded the loss of revenues. However, initial production from South America and new gas production from Northwest Java added \$54 million to revenues during 1994, partially offsetting the overall negative revenue variances.

The Company's total net crude oil production was 67 mbpd in 1994, essentially flat compared to 1993. Production from South American operations added five mbpd during 1994 and favorably impacted revenues by \$24 million. Crude oil volumes in the United States declined three mbpd, resulting in a \$15 million negative volume variance, primarily from the loss of production from the Divested Properties. Crude oil sales from the Company's Indonesian operations were also down approximately three mbpd (\$20 million negative volume variance), primarily in Northwest Java. A portion of the 1994 decline was the result of temporary production problems, which were corrected. Also, the 1993 volumes in Northwest Java reflected additional barrels received through cost recovery due

to the substantial capital outlay for the gas project, which was completed in late 1993. Maxus' 1994 average worldwide crude price hit a five-year low of \$15.31 per barrel, negatively impacting income by \$39 million.

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United States natural gas sales volumes fell from 365 mmcfpd to 275 mmcfpd in 1994 with the decline attributable to the loss of production from the Divested Properties and the decrease in purchased gas volumes which were aggregated and sold with the production from the Divested Properties. The decline was partially offset by increased sales volumes of nine mmcfpd from Midgard. United States natural gas revenues declined approximately \$83 million during 1994, with \$68 million occurring as a result of the Divested Properties and \$14 million attributable to declining prices. Maxus' United States natural gas prices averaged \$1.95 per mcf in 1994 and \$2.08 per mcf in 1993.

Northwest Java gas volumes increased from 13 mmcfpd in 1993 to 44 mmcfpd during 1994. The Company realized an additional \$30 million of revenues during 1994 from the Northwest Java gas project, which came on stream in fourth quarter 1993.

Natural gas liquids sales in the United States increased slightly from 17.4 mbpd to 17.9 mbpd in 1994 but average prices received declined from \$11.14 per barrel in 1993 to \$10.07 per barrel. Overall, liquids revenues were down \$5 million compared to 1993 due to the price declines.

Costs and Expenses. Costs and expenses, excluding restructuring, were \$728 million in 1994 compared to \$781 million in 1993. The decline was primarily due to the elimination of expenses related to the Divested Properties.

Overall, operating expenses were down \$21 million, of which approximately \$15 million related to the Divested Properties. Operating expenses declined in Indonesia as well as in the United States, but were partially offset by the additional operating expenses incurred in South America due to the start-up of production in Ecuador, Bolivia and Venezuela.

Gas purchase costs were \$39 million lower than 1993 primarily as a result of lower purchased gas prices and the reduction in volumes of purchased gas which were previously aggregated and sold with the production from the Divested Properties.

Exploration expenses were \$24 million lower than 1993 due to management's decision to curtail exploratory spending in new frontiers during 1994. The Company had previously announced its decision to concentrate spending in its core areas of the United States and Indonesia and its emerging areas in South America.

DD&A declined \$13 million in 1994. The Divested Properties created a \$32 million favorable variance. Partially offsetting this favorable variance was a \$7 million increase in DD&A in South America due to the start-up of production in Ecuador, Bolivia and Venezuela. DD&A in Indonesia was also up \$13 million as a result of higher DD&A rates and additional depreciation from the Northwest Java gas project, which came on-stream in fourth quarter 1993.

The Company increased its reserve for environmental liabilities in 1994 by \$60 million, primarily in response to the EPA's recently proposed chromium clean-up standards and for additional costs expected to be incurred at the Company's former Newark, New Jersey plant site. The 1993 environmental accrual of \$18 million related to expected costs of engineering studies for the Passaic River in New Jersey and the Newark plant site.

Restructuring. The 1994 results reflect a \$101 million pre-tax net benefit from the Company's restructuring activities, which included a pre-tax gain of \$202 million from the Divested Properties. This gain was partially offset by restructuring costs, including a non-cash, pre-tax \$70 million write-off associated with the Company's undeveloped Alaska coal leases. The restructuring also included costs associated with staff reductions and the write-off of non-producing assets outside the Company's core areas.

Other Revenues, Net. Other revenues, net were approximately \$31 million lower in 1994 compared to 1993. This decline was due primarily to a loss of \$13 million stemming from the sale of the Company's geothermal subsidiary in the third quarter of 1994 and to gains recorded on the sale of investments in U.S. Treasury notes and other securities of \$12 million during 1993.

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Income Taxes. The Company's provision for income taxes in 1994 was comprised primarily of Indonesian income tax. The 1994 Indonesian tax was \$12 million less than that of 1993 as a result of lower operating profit. United States federal and state taxes increased \$9 million in 1994 compared to 1993. This increase was the result of tax on asset sales, which was offset by tax benefit from the write-off of undeveloped Alaska coal leases and the favorable resolution of a federal tax refund suit.

Change in Accounting Principle. In 1993, Maxus adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits," which requires an accrual method of recognizing postemployment benefits. The Company recognized a one-time charge of \$4 million to recognize the cumulative effect of the change in accounting for postemployment benefits.

Extraordinary Item. During 1993, the Company recorded an extraordinary loss of \$7 million after tax, representing call premium and unamortized issuance costs for the early retirement of debt. Approximately \$115 million of outstanding 11 1/4% sinking fund debentures were redeemed at 105.329% of the principal amount.

#### Liquidity and Capital Resources

Liquidity refers to the ability of an enterprise to generate adequate amounts of cash to satisfy its financial needs. Maxus' primary needs for cash are to fund its exploration and development program, service debt, pay existing trade obligations, meet redemption obligations on redeemable preferred stock and pay dividends to preferred stockholders. The Company's primary sources of liquidity have been from operating activities, asset sales, debt financing and equity issuances.

Pursuant to the Merger Agreement, in the event that the Company is unable to meet its obligations as they come due, whether at maturity or otherwise, including, solely for the purposes of this undertaking, dividend and redemption payments with respect to the \$9.75 Preferred Stock, the \$4.00 Preferred Stock and the \$2.50 Preferred Stock, YPF has agreed to capitalize the Company in an amount necessary to permit the Company to meet such obligations; provided that YPF's aggregate obligation will be: (i) limited to the amount of debt service obligations under the Purchaser Facility, the Midgard credit facility and the Holdings credit facility and (ii) reduced by the amount, if any, of capital contributions by YPF to the Company after the Merger Date and by the amount of the net proceeds of any sale by the Company of common stock or non-redeemable preferred stock after the Merger Date. The foregoing obligations of YPF (the "Keepwell Covenant") will survive until June 8, 2004. In addition, YPF has guaranteed the Company's outstanding debt as of the Merger Date, the principal amount of which was approximately \$976 million. The debt covered by the YPF guarantee includes the Company's outstanding 11 1/4%, 11 1/2% and 8 1/2% Sinking Fund Debentures, its outstanding 9 7/8%, 9 1/2% and 9 3/8% Notes, and its outstanding medium-term notes. YPF has also guaranteed the payment and performance of the Company's obligations to the holders of its \$9.75 Preferred Stock.

Each of the Midgard facility and the Holdings facility contains restrictive covenants including limitations upon the sale of assets, mergers and consolidations, the creation of liens and additional indebtedness, investments, dividends, the purchase or repayment of subordinated indebtedness, transactions with affiliates and modifications to certain material contracts. The obligors under the Midgard facility and the Holdings facility may not permit (a) consolidated tangible net worth to be less than \$200 million, in the case of the Midgard facility, or \$350 million, in the case of the Holdings facility, plus (or minus), in the case of Midgard, the amount of any adjustment in the book value of assets or, in the case of Holdings, 70% of the amount of any adjustment to net worth, resulting from the merger of YPFA Corp. into the Company, (b) the ratio of consolidated cash flow to consolidated debt service to be less than 1.1 to 1.0 at the end of any fiscal quarter and (c) the ratio of consolidated cash flow to consolidated interest expense to be less than 1.25 to 1.0 at the end of any fiscal quarter. In addition, mandatory prepayments of the loans under the Midgard facility and the Holdings facility may be required in connection with certain asset sales and casualty losses, upon the issuance of subordinated indebtedness and in 1996 and in each year thereafter if, after semi-annual review, the agent and the lenders determine that a borrowing base deficiency exists. No borrowing base deficiencies existed at December 31, 1995.

Maxus has guaranteed the obligation under the Midgard facility (the "Midgard Guaranty") and under the Holdings facility (the "Subsidiaries Guaranty"). The Midgard Guaranty and the Subsidiaries Guaranty contain

restrictions upon mergers and consolidations, the creation of liens and the business activities in which Maxus and its subsidiaries may engage. In addition, Midgard, in the case of the Midgard Guaranty, and Holdings and its subsidiaries, in the case of the Subsidiaries Guaranty, are required to be wholly owned subsidiaries of Maxus, except to the extent YPF or a subsidiary of YPF (other than Maxus or a subsidiary of Maxus) makes capital contributions to Midgard or Holdings or one of Holdings subsidiaries, as the case may be.

In management's opinion, cash on hand and cash from operations will be inadequate to fund the 1996 program spending budget, service debt, meet redemption obligations on redeemable preferred stock and pay preferred stock dividends and trade obligations. During 1996 through the date of this report, YPF has made capital contributions to the Company in the aggregate amount of \$64 million pursuant to the terms of the Keepwell Covenant. It is anticipated that YPF could be required to make capital contributions in 1996 totaling approximately \$200 million to \$250 million to fund the Company's obligations. Actual capital contributions made by YPF could vary significantly depending on, among other circumstances, oil and gas prices and program spending commitments. Such capital contributions will be credited to YPF's obligations under the Keepwell Covenant and will entitle YPF to shares of Common Stock.

**Operating Activities.** During the nine months ended December 31, 1995, net cash provided by operating activities was \$57 million. Excluding the change in working capital requirements, net cash from operating activities was \$44 million during this period. Working capital requirements provided an additional \$13 million primarily as a result of U.S. federal income tax refunds of approximately \$60 million. These tax refunds were partially offset by lower accrued liabilities of \$32 million due primarily to payment of Maxus pre-Merger costs coupled with higher inventories of \$13 million.

Net cash provided by operating activities during the three months ended March 31, 1995, was \$62 million of which \$18 million was provided by operating activities and \$44 million was from working capital. Working capital was favorably impacted by higher accrued liabilities of \$26 million of which \$11 million was due to higher accrued interest, lower oil and gas receivables of \$24 million and a U.S. federal income tax refund of \$9 million partially offset by lower accounts payable of \$15 million.

Net cash provided by operating activities totaled \$70 million and \$137 million in 1994 and 1993, respectively. Excluding the change in working capital requirements, net cash from operating activities was \$58 million lower in 1994 than in 1993. Cash flow from operations was negatively impacted by lower crude oil and natural gas prices, the loss of production from the Divested Properties and costs associated with staff reductions, but was partially offset by additional gas volumes from Northwest Java (\$30 million). Net working capital requirements of \$42 million for 1994 were \$9 million higher than 1993 due to lower accounts payable primarily as a result of timing of expenditures in Ecuador.

**Investing Activities.** During 1995, the Company continued to concentrate its capital spending in core areas of the United States, Indonesia and Ecuador plus development of the emerging areas: the Mamore Block in Bolivia and the Quiriquire Block in Venezuela. Spending in 1995 increased modestly compared to 1994, with the largest increase occurring in the U.S. due to the implementation of an aggressive program of infill drilling designed to increase production and cash flow. Only Ecuador experienced lower capital spending in 1995 as spending for major infrastructure and facilities was completed in 1994. Approximately 45% of the 1994 capital spending was for development of oil reserves in South America. Initial production began in the third quarter of 1994 in Ecuador, Bolivia and Venezuela. Spending in Ecuador in 1994 was \$31 million below 1993 as spending for major infrastructure and facilities was being completed. In 1993, the development of gas reserves in Northwest Java and development of Block 16 in Ecuador alone accounted for \$167 million of spending. The Northwest Java gas project was completed on time and within budget in the fourth quarter of 1993. Additionally, construction of the Sunray gas plant in the Texas Panhandle, which was started in mid-1991, was completed during the first quarter of 1993.

In December 1995, the Company sold its overriding royalty interest in the Recetor Block in Colombia for \$25 million. There was no gain or loss recognized on this transaction.

On April 25, 1994, Offshore Partners sold its interests in Main Pass Blocks 72, 73 and 74. On April 26, 1994, Maxus and its subsidiaries sold all of their partnership interests in Offshore Partners. In the second quarter of 1994, Maxus also sold the McFarlan Field and Grand Isle Block 25, both producing oil and gas properties. In total, the Company received \$325 million of proceeds and recorded

a pre-tax gain of \$202 million from these transactions. A portion of the proceeds from these sales was used to reduce senior debt by \$70 million net and to redeem \$63 million of the \$9.75 Preferred Stock due in February 1995.

During the second quarter of 1994, Maxus Bolivia, Inc., a subsidiary of Maxus, signed an agreement to take BHP Petroleum as a partner in its Bolivian oil development project. The Company received \$10 million from BHP in exchange for a 50% interest in the project. Also during the second quarter of 1994, Maxus Venezuela (C.I.) Ltd. ("Maxus Venezuela"), a subsidiary of Maxus, signed an agreement with BP Exploracion de Venezuela S.A., granting BP a 45% interest in the Quiriquire Unit in eastern Venezuela. Maxus Venezuela remains the operator with a 50% interest and Corporacion Energetica S. 21, C.A., a Venezuelan company, holds the remaining 5%.

The Company sold its geothermal subsidiary, Thermal Power Company, in September 1994. The sale was for \$58 million net in cash and a \$7 million promissory note due from the purchaser in 1997. The Company recorded a loss of \$13 million on the transaction.

In 1993, the Company purchased \$52 million of U.S. Treasury notes. To partially fund the 1993 capital program budget and cover working capital fluctuations, the Company subsequently sold \$142 million of U.S. Treasury notes realizing a gain of \$8 million. Additionally, during 1993, Maxus received stock and other securities from The LTV Corporation ("LTV") in settlement of its bankruptcy claims against LTV. The Company sold these securities for approximately \$22 million, realizing a \$2 million gain. During 1994, the Company purchased an additional \$112 million of short-term investments with the proceeds from the sales of assets. To partially fund the capital program budget and pay Merger-related costs in 1995, the Company liquidated all its short-term investments. Additionally, the Company sold its remaining long-term investment in U.S. Treasury notes for \$31 million realizing a gain on the sale of \$2 million. In the future, the Company anticipates maintaining only minimal balances of cash, cash equivalents and short-term investments to cover working capital fluctuations.

During 1995, the Company was able to release a significant portion of its restricted cash, of which \$48 million supporting letters of credit were released and \$17 million of assets held in trust as required by certain insurance policies were released due to YPF's guarantees. Additionally, in 1995, the Company restricted \$8 million as required by the Holdings credit agreement. During 1993, the Company restricted \$36 million backing its spending commitment in Venezuela. The \$36 million in restricted cash backing the letters of credit in Venezuela were released in 1994 when the Company took on a partner and reduced its interest to 50%.

Financing Activities. During 1995, most of Maxus' financing activity was impacted by the Merger. The Company received \$851 million from the issuance of debt under the Purchaser Facility and the Midgard and Holdings credit facilities and a \$250 million capital infusion from YPF to partially fund the Merger. In connection with the Merger, the Company also paid \$14 million to redeem rights attached to Shares, repaid the Purchaser Facility, and, pursuant to the Merger, either assumed or paid \$746 million of purchase consideration for the Shares outstanding plus transaction costs. Of the approximate \$762 million purchase price paid by YPF to acquire the Company, as of December 31, 1995, \$16 million remained to be paid in respect of Shares and Merger costs. This liability was recorded in accrued liabilities.

At December 31, 1995, the Company had \$7 million of advances outstanding from YPF. The Company and YPF intend to enter into a loan agreement during 1996 to facilitate short-term loans by YPF to the Company and short-term loans by the Company to YPF of excess cash balances. It is expected that loans will be made by the parties under the loan agreement during 1996; however, the number and amounts thereof are not presently known.

The Company's only derivative financial instruments are an interest rate swap agreement, natural gas price swap agreements and natural gas and crude oil futures contracts, which are not used for trading purposes. During the third quarter of 1995 the Company recorded a \$2 million gain which represented the final

settlement of the Company's sole interest rate swap agreement prior to its termination. This gain was recorded in other revenues, net. The Company also received a \$5 million termination payment, which has been deferred.

Over the two-year period from January 1, 1993, to December 31, 1994, Maxus took steps to restructure its debt and equity position. The overall intent was

to provide immediate funding for its major development and construction projects (the Sunray gas plant, the Northwest Java gas project and the development of Block 16 in Ecuador) and to match the repayment schedules of the debt with the future cash flow expected from these projects while maintaining necessary working capital balances required for flexibility. The Company was able to take advantage of lower interest rates and, at the same time, to extend the average debt maturities.

Debt rose significantly in 1993 due to the completion of two of the Company's major projects and the near completion of the initial phase of the Ecuador project. These projects contributed to substantial capital spending in 1993. To cover the shortfall between cash from operations and the cash used in investing activities, incremental new debt was issued. Of the \$412 million proceeds received in 1993 from the issuance of long-term debt, \$204 million was used to refinance currently maturing debt and to fund the early retirement of a portion of the Company's 11 1/4% sinking fund debentures, with the remainder partially funding the 1993 capital spending program.

During 1994, the Company issued \$101 million of additional long-term debt. Debt issuances, along with a portion of the proceeds from asset sales, were used to repay approximately \$170 million of debt obligations due 1994 and beyond and to prepay \$63 million of \$9.75 Preferred Stock due in February 1995.

In 1993, Maxus issued a new class of preferred stock, the \$2.50 Preferred Stock. Of the \$85 million in net proceeds received from the offering, \$63 million was used to redeem 625,000 shares of \$9.75 Preferred Stock as required in February 1994.

#### Accounting Standards

Effective April 1, 1995, the Company used the purchase method of accounting to record the acquisition of the Company by YPF. In a purchase method combination, the purchase price is allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition. In connection with the purchase price allocation, the Company adopted Statement of Financial Accounting Standards No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," which requires a review of long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of the asset may not be recoverable. Under SFAS 121, if the expected future cash flow of a long-lived asset is less than the carrying amount of the asset, an impairment loss shall be recognized to value the asset at its fair value. Maxus revalued its assets and liabilities to fair value in the purchase price allocation effective April 1, 1995. There was no impact on the Company's results of operations resulting from the adoption of SFAS 121 during the nine months ended December 31, 1995.

#### Environmental Matters

Federal, state and local laws and regulations relating to health and environmental quality in the United States, as well as environmental laws and regulations of other countries in which the Company operates, affect nearly all of the operations of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish in certain circumstances remedial obligations. In addition, especially stringent measures and special provisions may be appropriate or required in environmentally sensitive foreign areas of operation, such as those in Ecuador.

Many of the Company's United States operations are subject to requirements of the Safe Drinking Water Act, the Clean Water Act, the Clean Air Act (as amended in 1990), the Occupational Safety and Health Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), and other federal, as well as state, laws. Such laws address, among other things, limits on the discharge of wastes associated with oil and gas operations, investigation and clean-up of hazardous substances,

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and workplace safety and health. In addition, these laws typically require compliance with associated regulations and permits and provide for the imposition of penalties for noncompliance. The Clean Air Act Amendments of 1990 may benefit the Company's business by increasing the demand for natural gas as a clean fuel.

The Company believes that its policies and procedures in the area of pollution control, product safety and occupational health are adequate to prevent unreasonable risk of environmental and other damage, and of resulting

financial liability, in connection with its business. Some risk of environmental and other damage is, however, inherent in particular operations of the Company and, as discussed below, the Company has certain potential liabilities associated with former operations. The Company cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies, could in the future require material expenditures by the Company for the installation and operation of systems and equipment for remedial measures and in certain other respects. Such potential expenditures cannot be reasonably estimated.

In connection with the sale of the Company's former chemical subsidiary, Diamond Shamrock Chemicals Company ("Chemicals"), to Occidental Petroleum Corporation ("Occidental") in 1986, the Company agreed to indemnify Chemicals and Occidental from and against certain liabilities relating to the business or activities of Chemicals prior to the September 4, 1986 closing date (the "Closing Date"), including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date.

In addition, the Company agreed to indemnify Chemicals and Occidental for 50% of certain environmental costs incurred by Chemicals for which notice is given to the Company within 10 years after the Closing Date on projects involving remedial activities relating to chemical plant sites or other property used in the conduct of the business of Chemicals as of the Closing Date and for any period of time following the Closing Date, with the Company's aggregate exposure for this cost sharing being limited to \$75 million. The total expended by the Company under this cost sharing arrangement was about \$39 million as of December 31, 1995. Occidental Chemical Corporation ("OxyChem"), a subsidiary of Occidental, and Henkel Corporation ("Henkel"), an assignee of certain of Occidental's rights and obligations, have filed a declaratory judgment action in Texas state court with respect to the Company's agreement in this regard (see "Legal Proceedings").

In connection with the spin-off of Diamond Shamrock R&M, Inc., now known as Diamond Shamrock, Inc. ("DSI"), in 1987, the Company and DSI agreed to share the costs of losses (other than product liability) relating to businesses disposed of prior to the spin-off, including Chemicals. Pursuant to this cost-sharing agreement, the Company bore the first \$75 million of such costs and DSI bore the next \$37.5 million. Under the arrangement, such ongoing costs are now borne one-third by DSI and two-thirds by the Company. This arrangement will continue until DSI has borne an additional \$47.5 million, following which such costs will be borne solely by the Company. As of December 31, 1995, DSI's remaining responsibility is approximately \$8 million and is included in accounts receivable in the accompanying balance sheet.

For the year ended December 31, 1995, the Company spent \$6 million in environmental related expenditures in its oil and gas operations. Expenditures in 1996 are expected to be approximately \$8 million.

The Company's total expenditures for environmental compliance for disposed of businesses, including Chemicals, were approximately \$38 million in 1995, \$12 million of which were recovered from DSI under the above described cost-sharing agreement. Those expenditures are projected to be approximately \$23 million in 1996 after recovery from DSI under such agreement.

At December 31, 1995, reserves for the environmental contingencies discussed herein totaled \$119 million. Management believes it has adequately reserved for all environmental contingencies which are probable and can be reasonably estimated; however, changes in circumstances could result in changes, including additions, to such reserves in the future.

The insurance companies that wrote Chemicals' and the Company's primary and excess insurance during the relevant periods have to date refused to provide coverage for most of Chemicals' or the Company's cost of

the personal injury and property damage claims related to environmental claims, including remedial activities at chemical plant sites and disposal sites. In two actions filed in New Jersey state court, the Company has been conducting litigation against all of these insurers for declaratory judgments that it is entitled to coverage for certain of these claims. In 1989, the trial judge in one of the New Jersey actions ruled that there is no insurance coverage with respect to the claims related to the Newark plant (discussed below). The trial court's decision was upheld on appeal and that action is now ended. The other suit, which is pending, covers disputes with respect to insurance coverage

related to certain other environmental matters.

Newark, New Jersey. A consent decree, previously agreed upon by the U.S. Environmental Protection Agency (the "EPA"), the New Jersey Department of Environmental Protection and Energy (the "DEP") and Occidental, as successor to Chemicals, was entered in 1990 by the United States District Court of New Jersey and requires implementation of a remedial action plan at Chemicals' former Newark, New Jersey agricultural chemicals plant. Engineering for such plan, which will include an engineering estimate of the cost of construction, is progressing. Construction is expected to begin in 1997, cost approximately \$22 million and take three to four years to complete. The work is being supervised and paid for by the Company pursuant to its above described indemnification obligation to Occidental. The Company has fully reserved the estimated costs of performing the remedial action plan and required ongoing maintenance costs.

Studies have indicated that sediments of the Newark Bay watershed, including the Passaic River adjacent to the plant, are contaminated with hazardous chemicals from many sources. Studies performed by the Company and others suggest that contaminants historically discharged by the Newark plant are buried under several feet of more recent sediment deposits and are not moving. The Company, on behalf of Occidental, negotiated an agreement with the EPA under which the Company is conducting further testing and studies to characterize contaminated sediment in a six-mile portion of the Passaic River near the plant site. The Company currently expects such testing and studies to be completed in 1999 and cost from \$4 million to \$6 million after December 31, 1995. The Company has reserved its estimate of the remaining costs to be incurred in performing these studies as of December 31, 1995. The Company has been conducting similar studies under its own auspices for several years. Until these studies are completed and evaluated, the Company cannot reasonably forecast what regulatory program, if any, will be proposed for the Passaic River or the Newark Bay watershed and therefore cannot estimate what additional costs, if any, will be required to be incurred.

Hudson County, New Jersey. Until 1972, Chemicals operated a chromium ore processing plant at Kearny, New Jersey. According to the DEP, wastes from these ore processing operations were used as fill material at a number of sites in Hudson County.

As a result of negotiations between the Company (on behalf of Occidental) and the DEP, Occidental signed an administrative consent order with the DEP in 1990 for investigation and remediation work at certain chromite ore residue sites in Kearny and Secaucus, New Jersey. The work is being performed by the Company on behalf of Occidental, and the Company is funding Occidental's share of the cost of investigation and remediation of these sites and is currently providing financial assurance for performance of the work in the form of a self-guarantee in the amount of \$20 million subject to the Company's continuing ability to satisfy certain financial tests specified by the State. This financial assurance may be reduced with the approval of the DEP following any annual cost review. While the Company has participated in the cost of studies and is implementing interim remedial actions and conducting remedial investigations and feasibility studies, the ultimate cost of remediation is uncertain. The Company anticipates submitting its investigation and feasibility reports to the DEP in late 1996 or 1997. The results of the DEP's review of these reports could impact the cost of any further remediation that may be required. The Company has reserved its best estimate of the remaining cost to perform the investigations and remedial work as being \$50 million at December 31, 1995. In addition, the DEP has indicated that it expects Occidental and the Company to participate with the other chromium manufacturers in the funding of certain remedial activities with respect to a number of so-called "orphan" chrome sites located in Hudson County, New Jersey. Occidental and the Company have declined participation as to those sites for which there is no evidence of the presence of residue generated by Chemicals. The Governor of New Jersey issued an Executive Order requiring state agencies to provide specific justification for

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any state requirements more stringent than federal requirements. The DEP has indicated that it may be revising its soil action level upwards towards the higher soil screening levels proposed by the EPA in 1994.

Painesville, Ohio. From about 1912 through 1976, Chemicals operated manufacturing facilities in Painesville, Ohio. The operations over the years involved several discrete but contiguous plant sites over an area of about 1,300 acres. The primary area of concern historically has been Chemicals' former chromite ore processing plant (the "Chrome Plant"). For many years, the site of the Chrome Plant has been under the administrative control of the EPA pursuant to an administrative consent order under which Chemicals is required to maintain



a clay cap over the site and to conduct certain ground water and surface water monitoring. Many other sites have previously been clay-capped and one specific site, which was a waste disposal site from the mid-1960s until the 1970s, has been encapsulated and is being controlled and monitored. In September 1995, the Ohio Environmental Protection Agency (the "OEPA") issued its Directors' Final Findings and Order (the "Director's Order") by consent ordering that a remedial investigation and feasibility study (the "RIFS") be conducted at the former Painesville plant area. The Company has agreed to participate in the RIFS as required by the Director's Order. It is estimated that the total cost of performing the RIFS will be \$3 million to \$5 million over the next three years. In spite of the many remedial, maintenance and monitoring activities performed, the former Painesville plant site has been proposed for listing on the National Priority List under CERCLA; however, the EPA has stated that the site will not be listed so long as it is satisfactorily addressed pursuant to the Director's Order and OEPA's programs. The Company has accrued the estimate of its share of the cost to perform the RIFS. The scope and nature of any further investigation or remediation that may be required cannot be determined at this time; however, as the RIFS progresses, the Company will continuously assess the condition of the Painesville plant site and make any changes, including additions, to its reserve as may be required.

**Other Former Plant Sites.** Environmental remediation programs are in place at all other former plant sites where material remediation is required in the opinion of the Company. Former plant sites where remediation has been completed are being maintained and monitored to insure continued compliance with applicable laws and regulatory programs. The Company has reserved \$6 million at December 31, 1995, related to these sites, none of which are individually material.

**Third Party Sites.** Chemicals has also been designated as a potentially responsible party ("PRP") by the EPA under CERCLA with respect to a number of third party sites, primarily off of Chemicals' properties, where hazardous substances from Chemicals' plant operations allegedly were disposed of or have come to be located. Numerous PRPs have been named at substantially all of these sites. At several of these, Chemicals has no known exposure. Although PRPs are almost always jointly and severally liable for the cost of investigations, cleanups and other response costs, each has the right of contribution from other PRPs and, as a practical matter, cost sharing by PRPs is usually effected by agreement among them. Accordingly, the ultimate cost of these sites and Chemicals' share of the costs thereof cannot be estimated at this time, but are not expected to be material except possibly as a result of the matters described below.

1. **Fields Brook; Ashtabula, Ohio.** At the time that Chemicals was sold to Occidental, Chemicals operated a chemical plant at Ashtabula, Ohio which is adjacent to Fields Brook. Occidental has continued to operate the Ashtabula plant. In 1986, Chemicals was formally notified by the EPA that it was a PRP for the Fields Brook site. The site is defined as Fields Brook, its tributaries and surrounding areas within the Fields Brook watershed. At least 15 other parties are presently considered to be financially responsible PRPs. In 1986, the EPA estimated the cost of sediment remediation at the site would be \$48 million. The PRPs, including Occidental, have developed an allocation agreement for sharing the costs of the work in Fields Brook ordered by the EPA. Under the allocation, the Occidental share for Chemicals' ownership of the Ashtabula plant would be about five percent of the total, assuming all viable PRPs were to participate.

In 1990, the OEPA, as state trustee for natural resources under CERCLA, advised previously identified PRPs, including Chemicals, that the OEPA intended to conduct a Natural Resource Damage Assessment of the Fields Brook site to calculate a monetary value for injury to surface water, groundwater, air, and biological and geological resources at the site. Also, although Fields Brook empties into the Ashtabula River which flows into Lake Erie, it is not known to what extent, if any, the EPA will propose remedial action beyond Fields

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Brook for which the Fields Brook PRPs might be asked to bear some share of the costs. Until all preliminary studies and necessary governmental actions have been completed and negotiated or judicial allocations have been made, it is not possible for the Company to estimate what the response costs, response activities or natural resource damages, if any, may be for Fields Brook or related areas, the parties responsible therefore or their respective shares.

It is the Company's position that costs attributable to the Ashtabula plant fall under the Company's above-described cost sharing arrangement with Occidental under which the Company bears one-half of certain costs up to an aggregate dollar cap. Occidental, however, has contended that it is entitled to full indemnification from the Company for such costs, and the outcome of this

dispute cannot be predicted. The Company has reserved its estimate of its share of potential cleanup costs based on the assumption that this site falls under the Occidental cost sharing arrangement.

2. French Limited Disposal Site; Crosby, Texas. The PRPs, including Chemicals (represented by the Company), entered into a consent decree and a related trust agreement with the EPA with respect to this disposal site. The consent decree was entered by the federal court as a settlement of the EPA's claim for remedial action. Chemical's share of the cost to complete remediation at this site at December 31, 1995 is expected to be approximately \$500,000 and such amount is fully accrued.

3. SCP/Carlstadt Site; Carlstadt, New Jersey. Chemicals' share of remediation costs at this CERCLA site would be approximately one percent, based on relative volume of waste shipped to the site. An interim remedy has now been implemented at the site by the PRPs but no estimate can be made at this time of ultimate costs of remediation which may extend to certain off-site locations.

4. Chemical Control Site; Elizabeth, New Jersey. The DEP has demanded of PRPs (including Chemicals) reimbursement of the DEP's alleged \$34 million (including interest through December 31, 1995) in past costs for its partial cleanup of this site. The PRPs and the EPA have settled the federal claims for cost recovery and site remediation, and remediation is now complete. Based on the previous allocation formula, it is expected that Chemicals' share of any money paid to the DEP for its claim would be approximately two percent. The Company has fully reserved its estimated liability for this site.

#### Legal Proceedings

In November 1995, OxyChem filed suit in Texas state court seeking a declaration of certain of the parties' rights and obligations under the sales agreement pursuant to which the Company sold Chemicals to Occidental. Henkel joined in said lawsuit as a plaintiff in January 1996. Specifically, OxyChem and Henkel are seeking a declaration that the Company is required to indemnify them for 50% of certain environmental costs incurred on projects involving remedial activities relating to chemical plant sites or other property used in connection with the business of Chemicals on the Closing Date which relate to, result from or arise out of conditions, events or circumstances discovered by OxyChem or Henkel and as to which the Company is provided written notice by OxyChem or Henkel prior to the expiration of ten years following the Closing Date, irrespective of when OxyChem or Henkel incurs and gives notice of such costs, subject to an aggregate \$75 million cap. The Company believes that this lawsuit is without merit and intends to defend same vigorously. The Company has established reserves based on its 50% share of costs expected to be paid or incurred by OxyChem and Henkel prior to September 1996.

As of December 31, 1995, the Company had paid OxyChem and Henkel a total of approximately \$39 million against said \$75 million cap. The Company cannot predict what portion of the approximately \$36 million remaining as of that date Occidental and Henkel may actually pay or incur prior to September 4, 1996, the tenth anniversary of the Closing Date if they accelerate spending with regard to such environmental costs; however, the Company has approximately \$7 million reserved at December 31, 1995, based on 50% of OxyChem's and Henkel's historical annual expenditures. In the event OxyChem and Henkel prevail in this lawsuit, the Company could be required to provide up to approximately \$29 million in additional reserves related to this indemnification.

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The Company has established reserves for legal contingencies in situations where a loss is probable and can be reasonably estimated.

#### Future Outlook

In addition to maintaining and developing its core and emerging areas, it is expected that, beginning in 1996, the Company will acquire or assume responsibility for certain YPF exploration interests in South America (outside Argentina) and the United States Gulf of Mexico. The Company will continue to focus on maximizing the value of its core producing assets and seek new investment opportunities in associated ventures.

Maxus currently projects total program spending (capital expenditures plus exploration expenses) for 1996 to be approximately \$249 million, compared to \$231 million in 1995. Indonesia will receive nearly \$79 million, Midgard (U.S.) \$72 million, South America \$62 million and exploration interests outside Argentina acquired or assumed from YPF \$25 million. The remaining \$11 million will be allocated to domestic and overseas new ventures. Funding for the 1996 spending program is expected to be provided through cash and cash equivalents on

hand at the beginning of the year, expected cash from operations and capital contributions from YPF as necessary. In addition to the 1996 program, Maxus has financial and/or performance commitments for exploration and development activities in 1997 and beyond none of which are material except for the recently acquired Guarapiche block in Venezuela discussed below.

In January 1996, the Company and its partners were successful in acquiring the highly prospective Guarapiche block in Venezuela's first auction awards for equity production in over 20 years. Guarapiche is located on the same trend as the five billion barrel El Furrial field in northeastern Venezuela. The Company, together with its partners, paid \$109 million (approximately \$27 million net to the Company) to the Venezuelan government for rights to explore the Guarapiche block. BP Exploration Orinoco Limited is the operator with a 37.5% working interest while Amoco Production Company and the Company hold 37.5% and 25% working interests, respectively. The Company's net exploration commitment is anticipated to total approximately \$15 million over the next five years.

The Company has begun discussions with other companies concerning the establishment of a joint venture or other alliance with regard to Midgard's business and assets. The objectives of such a joint venture or alliance would be lowering unit costs, creating economies of scale and improving marketing leverage. No joint venture or other partner has been selected and no assurances can be given that the attempts to establish a joint venture or other alliance will be successful. In addition, Maxus is considering a number of possible capital and business restructuring alternatives; however, no decisions have been made to take any specific action nor can there be any assurance that any specific action will be taken.

By the end of 1995, management had streamlined the Maxus organizational structure, reduced Maxus' overhead costs and improved communications and decision making. In addition, a "management by objectives" program was introduced to make each business unit and staff group directly responsible for their accomplishments. These actions are expected to result in significant cost savings.

The Company's foreign petroleum exploration, development and production activities are subject to political and economic uncertainties, expropriation of property and cancellation or modification of contract rights, foreign exchange restrictions and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted, as well as risks of loss in some countries due to civil strife, guerrilla activities and insurrection. Areas in which the Company has significant operations include the United States, Indonesia, Ecuador, Bolivia and Venezuela.

In Ecuador, pipeline capacity available to the Company is sufficient to transport only about 60% of the oil the Company expected to be able to produce daily, and none of the various projects to increase transportation capacity that have been considered has been approved by the government of Ecuador. In addition, the Company is involved in a number of contract, auditing and certification disputes with various government entities. Together, the lack of pipeline capacity and the various disputes with government entities are retarding the Company's ability to proceed with the economic development of Block 16. Although the Company can

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give no assurances concerning the outcome of these discussions, progress has recently been made on several important issues. The Company intends to reduce program spending in Ecuador in 1996 to \$19 million from \$32 million in 1995.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this item appears on pages F-1 to F-69 of this report.

#### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Inapplicable.

### PART III

#### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Executive Officers of the Company

The following table sets forth certain information as of March 1, 1996 concerning the executive officers of the Company.

<TABLE>  
<CAPTION>

NAME	POSITION WITH THE COMPANY	Non-Responsive	SERVED AS AN OFFICER SINCE
<S>	<C>		<C>
Roberto Monti.....	President and Chief Executive Officer		1995
W. Mark Miller.....	Executive Vice President and Treasurer		1995
Michael C. Forrest.....	Senior Vice President		1992
David A. Wadsworth.....	Vice President, Legal		1995
Linda R. Engelbrecht.....	Controller		1995

</TABLE>

Officers are elected annually by the Board of Directors (sometimes referred to as the "Board") and may be removed at any time by the Board. There are no family relationships among the executive officers listed and there are no arrangements or understandings with third parties pursuant to which any of them were elected as officers, except that Mr. Monti received \$120,000 from YPF in respect of the period from August 21, 1995, when he was elected President, Chief Executive Officer and a director of the Company, until October 9, 1995, when he became an employee of the Company. Certain information regarding the principal occupations and employment of each of the officers named above during the prior five years is set forth below.

Mr. Monti was elected President and Chief Executive Officer and a director of the Company effective August 21, 1995 and became an employee of the Company on October 9, 1995. Prior to joining Maxus, Mr. Monti served as the President of Dowell, a division of Schlumberger Limited. Since joining the oilfield services company in 1963, Mr. Monti has held various positions with Schlumberger, including president and vice president of various divisions or subsidiaries.

Mr. Miller was elected Executive Vice President and Treasurer of the Company in November 1995. Mr. Miller joined a former subsidiary of Maxus in 1981 as Manager, Taxes and has held various positions with the Company since such time, including Director, Exploration and Production Taxes; Director, Operations Auditing; General Manager, Indonesia; and Vice President of the Company.

Mr. Forrest joined the Company in 1992 as special assistant to the Chairman and later that year was elected Vice Chairman and Chief Operating Officer. Prior to 1992, he was with Shell U.S.A. for more than five years, last serving as President of its subsidiary, Pecten International Company. Mr. Forrest was named Senior Vice President, Business Development of the Company in 1994. Mr. Forrest has been a Senior Vice President of the Company since 1994.

Mr. Wadsworth was elected Vice President, Legal of the Company in June 1995. Mr. Wadsworth joined Natomas Company, a former subsidiary of Maxus, in 1979. He has served in various positions with the Company, including Associate General Counsel and Corporate Secretary, since such time.

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Mrs. Engelbrecht was elected Controller of the Company in November 1995. She joined a former subsidiary of the Company in 1978 as a financial associate and has held various positions with the Company, including Director of Financial Reporting and Assistant Controller, since such time.

#### Directors of the Company

Certain information regarding each director, including his age, is set forth below. Each director is elected at the annual meeting of stockholders for a term of one year.

CHARLES L. BLACKBURN: Non-Resp a director of the Company since 1986. For more than five years prior to his retirement in April 1995, he was also the Chairman, President and Chief Executive Officer of Maxus. He is currently an international consultant for the Company. Mr. Blackburn also serves as a director of Lone Star Technologies, Inc. and Landmark Graphics Corporation.

CEDRIC BRIDGER: Non-Resp a director of the Company since April 1995. Mr. Bridger has been Vice President, Finance and Corporate Development of YPF since 1992. From 1989 to 1992, he was employed by CBV Industrias Mecanicas in Brazil, last serving as Marketing Manager. Previously, he was associated with Hughes Tool Company from 1964 to 1989.

GEORGE L. JACKSON: Non-Resp a director of the Company since 1987. Mr. Jackson

has been an oil field service consultant for more than five years.

NELLS LEON: Non-Exec, a director of the Company since June 1995. Mr. Leon has been a director of YPF since 1991, and was elected President of YPF in May 1995. Mr. Leon held various positions with YPF from 1956 to 1977 and from 1983 to 1987. Since 1990, he has served as Executive Vice President. He was Vice President of Operations of Sol Petroleo S.A. from 1987 to 1990.

JAMES R. LESCH: Non-Exec a director of the Company since April 1995. Mr. Lesch has been a director of YPF since 1993. He is currently retired, having retired from Hughes Tool Company in 1986. He was Chief Executive Officer (1979-1986) and Chairman of the Board (1981-1986) of Hughes Tool Company and also served as Commissioner, State of Texas Department of Commerce (1988-1992). Previously, he served as Director of the American Petroleum Institute. Mr. Lesch also serves as a director of TransTexas Gas Corporation.

ROBERTO MONTI: Non-Exec, a director, President and Chief Executive Officer of the Company since August 1995. Prior to such time, Mr. Monti had been employed since 1963 by Schlumberger Limited, an oil field services company, in various capacities. He most recently served as President of Dowell, a division of Schlumberger Limited.

P. DEXTER PEACOCK: Non-Exec a director of the Company since April 1995. Mr. Peacock has been a partner of the law firm of Andrews & Kurth L.L.P. since 1975. He is a member of the firm's Management Committee. He currently serves as a director of Texas Commerce Bank National Association and as an alternate director of YPF.

R. A. WALKER: Non-Exec a director of the Company since 1994. He is a Managing Director of Prudential Capital Group and a Vice President of The Prudential Insurance Company of America ("Prudential"). Mr. Walker has held similar positions with Prudential Capital Group for the past five years. He was elected to the Board of Directors of Maxus by Prudential pursuant to the terms of the \$9.75 Preferred Stock.

#### ITEM 11. EXECUTIVE COMPENSATION.

##### DIRECTOR COMPENSATION

The Company pays each director who is not an employee of the Company or YPF (other than Mr. Blackburn) an annual retainer of \$20,000 and a fee of \$1,000 for each meeting of the Board attended and for each committee meeting attended. For so long as Mr. Blackburn is an international consultant to the Company, he will not be entitled to such compensation paid to other non-employee Directors. See--"Employment Contracts and Termination of Employment and Change in Control Agreements."

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##### EXECUTIVE OFFICER COMPENSATION

The following tables set forth compensation awarded to, earned by or paid to the executive officers named below in 1993, 1994 and 1995.

##### SUMMARY COMPENSATION TABLE

<TABLE>

<CAPTION>

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG TERM COMPENSATION	
		SALARY (\$)	BONUS (\$)	SECURITIES UNDERLYING OPTIONS/SARS (#)	ALL OTHER COMPENSATION (\$)
	<C>	<C>	<C>	<C>	<C>
Roberto Monti.....	1995	302,052 (1)	30,000 (2)	0	10,923 (3)
President and Chief Executive Officer	1994	N/A	N/A	N/A	N/A
	1993	N/A	N/A	N/A	N/A
Mark Miller.....	1995	174,900	60,000	0	87,086 (4)
Executive Vice President and Treasurer	1994	N/A	N/A	N/A	N/A
	1993	N/A	N/A	N/A	N/A
Michael C. Forrest.....	1995	261,016	60,000	0	1,291,032 (5)
Senior Vice President	1994	304,020	100,000	65,000	18,241 (3)
	1993	298,020	75,000	0	17,881 (3)
David A. Wadsworth.....	1995	155,640	52,000	0	9,338 (3)
Vice President, Legal	1994	N/A	N/A	N/A	N/A

	1993	N/A	N/A	N/A	N/A
Linda R. Engelbrecht.....	1995	119,910	36,000	0	7,195 (3)
Controller	1994	N/A	N/A	N/A	N/A
	1993	N/A	N/A	N/A	N/A
Charles L. Blackburn.....	1995	209,331	0	0	4,996,344 (6)
Chairman, President and Chief	1994	519,996	200,000	185,000	31,200 (3)
Executive Officer	1993	512,496	100,000	0	30,750 (3)
(executive officer through April 21, 1995)					
Peter Gaffney.....	1995	300,000 (7)	0	0	0
President and Chief Executive Officer	1994	N/A	N/A	N/A	N/A
(executive officer from April 21, 1995	1993	N/A	N/A	N/A	N/A
through August 21, 1995)					
G. W. Pasley.....	1995	167,703	0	0	1,007,245 (8)
Senior Vice President	1994	208,440	100,000	65,000	12,506 (3)
(executive officer through	1993	198,840	45,000	0	11,930 (3)
August 31, 1995)					
Glen R. Brown.....	1995	189,582	0	0	942,434 (9)
Vice President and Controller	1994	174,420	55,000	28,000	10,465 (3)
(executive officer through	1993	165,375	25,000	0	9,923 (3)
December 15, 1995)					

&lt;/TABLE&gt;

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- 
- (1) Mr. Monti became a consultant, officer and director of the Company on August 21, 1995, and an employee of the Company on October 9, 1995. He received \$120,000 of this amount from YPF in respect of his serving as President and Chief Executive Officer of the Company prior to the date on which he became an employee.
  - (2) Mr. Monti was paid this amount as a signing bonus upon commencement of his employment with the Company.
  - (3) These payments represent the Company's matching contributions to this individual's qualified and non-qualified savings plans' accounts.
  - (4) \$76,592 of this amount represents a payment made in accordance with Mr. Miller's employment agreement (see--"Employment Contracts, Termination of Employment and Change in Control Agreements"), and \$10,494 of such amount represents the Company's matching contributions to Mr. Miller's qualified and non-qualified savings plan accounts.
  - (5) \$1,075,383 of this amount represents a payment made in accordance with Mr. Forrest's change in control agreement (see--"Employment Contracts, Termination of Employment and Change in Control Agreements"); \$199,988 represents payment in respect of the surrender pursuant to the terms of the Merger Agreement of options and stock appreciation rights ("SARs") held by Mr. Forrest (see table below entitled "Aggregated Option/SAR Exercises in the Last Fiscal Year and FY-End Option/SAR Values"); and \$15,661 of such amount represents the Company's matching contributions to Mr. Forrest's qualified and non-qualified savings plan accounts.
  - (6) \$120,000 of this amount represents payments in connection with Mr. Blackburn's consulting agreement with the Company (see--"Employment Contracts and Termination of Employment and Change in Control Agreements"), \$2,662,070 of such amount represents a severance payment made in accordance with Mr. Blackburn's change in control agreement (see "-- Employment Contracts, Termination of Employment and Change in Control Agreements"); \$1,943,632 of such amount represents a lump sum payment to Mr. Blackburn in respect of the Company's retirement plans, including the Supplemental Executive Retirement Plan; \$298,396 represents a distribution from Mr. Blackburn's savings plan accounts; \$104,588 represents payment in respect of restricted shares of Common Stock, the restrictions on which lapsed on May 1, 1995 in accordance with their terms; and \$10,400 of such amount represents the Company's matching contributions to Mr. Blackburn's qualified and non-qualified savings plan accounts.
  - (7) Mr. Gaffney became a consultant and an officer of the Company on April 21, 1995 and an employee of the Company on June 6, 1995. Pursuant to an agreement between Mr. Gaffney and the Company, he received a total of \$300,000, \$195,721 of which was paid with respect of the period during which he was an employee of the Company.
  - (8) \$835,893 of this amount represents a severance payment made in accordance with Mr. Pasley's change in control agreement (see--"Employment Contracts, Termination of Employment and Change in Control Agreements"); \$162,774 represents a distribution or rights to a distribution from Mr. Pasley's savings plan accounts; and \$8,578 of such amount represents the Company's matching contributions to Mr. Pasley's qualified and non-qualified savings plan accounts.
  - (9) \$619,877 of this amount represents a severance payment made in accordance

with Mr. Brown's change in control agreement (see--"Employment Contracts, Termination of Employment and Change in Control Agreements"); \$84,999 represents payment in respect of the surrender pursuant to the terms of the Merger Agreement of options and SARs held by Mr. Brown (see table below entitled "Aggregated Option/SAR Exercises in the Last Fiscal Year and FY-End Option/SAR Values"); \$13,772 represents payment in respect of restricted shares of Common Stock, the restrictions on which lapsed on May 1, 1995 in accordance with their terms; \$213,560 represents a distribution or rights to a distribution from Mr. Brown's savings plan accounts; and \$10,226 represents the Company's matching contributions to Mr. Brown's qualified and non-qualified savings plan accounts.

AGGREGATED OPTION/SAR EXERCISES IN THE LAST FISCAL YEAR  
AND FY-END OPTION/SAR VALUES

<TABLE>

<CAPTION>

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)(1)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FY-END(2) EXERCISABLE/ UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FY-END (\$) EXERCISABLE/ UNEXERCISABLE
<S>	<C>	<C>	<C>	<C>
Roberto Monti.....	0	0	0	0/0
W. Mark Miller.....	0	138,532	0	0/0
Michael C. Forrest.....	0	199,998(2)	0	0/0
David A. Wadsworth.....	0	10,930	0	0/0
Linda R. Engelbrecht.....	0	740	0	0/0
Charles L. Blackburn.....	0	0(2)	0	0/0
Peter Gaffney.....	0	0	0	0/0
G. W. Pasley.....	0	25,000(2)	0	0/0
Glen R. Brown.....	0	84,999(2)	0	0/0

</TABLE>

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(1) These payments were made in respect of the surrender of options and any SARs held by the named executive officers as contemplated by the terms of the Merger Agreement. No shares of stock were acquired in these transactions.

(2) Although each of these named executive officers surrendered all of his options and SARs in 1995, payment was not made in 1995 by the Company in respect of a certain number of such options and SARs due to then pending tax and other questions. Such questions have been resolved and these named officers received the following amounts in 1996 for their surrendered options and SARs: Mr. Monti--0; Mr. Miller--0; Mr. Forrest--\$182,102; Mr. Wadsworth--0; Mrs. Engelbrecht--0; Mr. Blackburn--\$939,256; Mr. Gaffney--0; Mr. Pasley--\$307,173; and Mr. Brown--\$87,502.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL AGREEMENTS

Employment Contracts. On April 5, 1995, the Company entered into an agreement with Mr. Gaffney, a director and the President and Chief Executive Officer of the Company from April 21, 1995 to August 21, 1995, whereby Mr. Gaffney served in the capacity of chief executive officer of the Company in consideration of payment of \$50,000 a month from the date of such agreement through September 30, 1995. A total of \$300,000 was paid to Mr. Gaffney under this agreement, \$195,721 during the period he was an employee. In addition, Gaffney, Cline, an oil and gas technical and management consulting firm of which Mr. Gaffney is a Senior Partner, entered into an agreement with the Company obligating the Company to pay Gaffney, Cline \$500,000 in consideration of Gaffney, Cline granting Mr. Gaffney a leave of absence to enable him to serve as the Company's chief executive officer.

The Company entered into an agreement effective July 1, 1995 in replacement of a change in control agreement dated November 1, 1991 with Mr. Miller, Executive Vice President and Treasurer of the Company, under which Mr. Miller is to be employed for a term of four years at not less than his then current salary, plus an annual bonus not less than the amount of the largest bonus paid to Mr. Miller in respect of the years 1992, 1993 or 1994, and a "sign-on" bonus in the amount of \$76,592. In addition, a "stay on" bonus in the amount of

\$76,592 is payable under this agreement on each of July 1, 1996, 1997 and 1998 provided, as to each such "stay on" bonus, that Mr. Miller continues to be an employee of the Company on the respective payment date. Under the agreement, in the event that Mr. Miller's employment is terminated under certain circumstances, severance compensation will be paid to Mr. Miller as specified therein.

On December 27, 1995, the Company entered an agreement with Mr. Monti, a director and the President and Chief Executive Officer of the Company, pursuant to which his Foreign Service Pay, as defined in such agreement, payable with respect to services rendered from and after January 1, 1996 will be credited by the Company to a deferral account which will bear interest at a specified rate and the balance of which will be paid to Mr. Monti under certain circumstances, including termination of his employment with the Company.

Mr. Blackburn, a director and formerly the Chairman, President and Chief Executive Officer of the Company, became an international consultant during 1995 to YPF pursuant to a consulting agreement which was subsequently assigned to Maxus. Under the two-year contract, Mr. Blackburn will be available to render consulting services for a minimum of 60 days per year and be paid a retainer of \$180,000 per year. Mr. Blackburn will be paid \$3,000 per day for each day of consulting provided in excess of 60 days per year. Office space is made available to him in Dallas and Buenos Aires. During 1995, Mr. Blackburn was paid a total of \$120,000 under the terms of this contract.

Termination of Employment Agreements. On August 3, 1995, the Company entered into an agreement with Mr. Monti under which he will receive a severance payment from the Company in the amount of \$3 million in the event that his employment with the Company is terminated (i) by Mr. Monti or the Company for reason of death or disability; (ii) by the Company other than for cause; (iii) by Mr. Monti for any reason within six months following a take-over (other than to accept employment with YPF); and (iv) by Mr. Monti for any reason after reaching age 65.

Separation Pay Plan. Under the Separation Pay Plan, most employees (other than non-resident aliens), excluding Mr. Monti (who has waived any rights thereunder) but including the other named executive

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officers, are eligible for separation pay if their employment is terminated for any reason other than death, voluntary termination of employment, voluntary retirement or discharge for reasons of criminal activity, willful misconduct, gross negligence in the performance of duties or violation of Company policy. The payment to be received under the plan by a particular employee depends on his job classification and length of service and whether termination occurs after the elimination of the employee's position or a change in control of the Company (as defined in the plan). In the case of the named executive officers, the plan provides in most cases for separation pay in an amount equal to two-weeks' base pay for each year of service with the Company, plus three months' base pay, not to exceed a maximum of 12 months' base pay; and, in the case of a change in control of the Company, separation pay in an amount equal to one month's base pay for each year of service with the Company, but not less than 12 months' base pay nor more than 24 months' base pay. The plan requires that employees sign releases as a condition of receiving separation pay. Executive officers are not entitled to separation pay under the plan to the extent they receive severance payments under the change in control agreements discussed below or employment contracts discussed above. The acquisition of the Company by YPF constitutes a change in control under the Separation Pay Plan, thereby triggering the post-change in control separation formula until April 5, 1997.

Change in Control Agreements. In 1987 or thereafter, the Company entered into agreements with certain executives including Messrs. Blackburn, Forrest, Brown, Pasley and Miller which were binding upon execution but were to become operative on a change of control of the Company. Pursuant to the terms of said agreements, they became operative when YPF acquired control of the Company.

Under these agreements, the executive officer is entitled to continue in the employ of the Company until the earlier of the expiration of the third anniversary of the occurrence of a "change in control" or the executive's death at an annual base salary of not less than the rate in effect upon the occurrence of a change in control plus an incentive award of not less than the highest such award received by the executive for any year in the three calendar years immediately preceding the change in control. Under the agreements, a "change of control" includes the following: (i) the merger, consolidation or reorganization of the Company after which a majority of voting power of the Company is held by persons other than the holders thereof prior to such event; (ii) the sale of all



or substantially all of the assets of the Company to an entity, the majority of the voting power of which is not held by holders of the voting power of the Company before such sale; (iii) a report is filed on Schedule 13D or Schedule 14D-1 showing that a person is the beneficial owner of 25% or more of the voting power of the Company; (iv) the Company files a Form 8-K or proxy statement disclosing that a change in control has or may occur; or (v) a change in the composition of the majority of the Board under certain circumstances occurs during any period of two consecutive years. In the event the Company terminates the executive's employment during such term without cause, the executive will be entitled to receive as severance compensation a lump-sum payment equal to the present value of the cash compensation payable under the agreement in the absence of such termination, not to exceed 299% of his "base amount" as defined in the Internal Revenue Code of 1986, as amended (the "Code"), without any reduction for subsequent earnings.

Under these agreements, continuation of benefits under employee benefit plans of the Company is provided after termination during the remainder of the original term of employment. The agreements include provisions which limit the amounts payable under them in certain circumstances in which the net after-tax amount received by the officer would be reduced as a result of the applicability of the 20% excise tax imposed in respect of certain change in control payments under the Code. The Company has assumed the obligation to pay certain fees and expenses of counsel incurred by the executive officers if legal action is required to enforce their rights under the agreements and has secured such obligation by obtaining a letter of credit issued by a commercial bank.

On April 7, 1995, all of the Company's then executive officers, including Messrs. Blackburn, Forrest, Pasley and Brown, gave notice of their intent to resign under circumstances in which they had the right to receive severance payments under the change in control agreements. In order to facilitate the transition following the acquisition by YPF, the Company and the eight executive officers who were parties to such agreements (Messrs. Blackburn, Forrest, Pasley, Brown, S. G. Crowell, M. J. Barron, M. J. Gentry and M. Middlebrook) agreed that such executive officers would continue to work for the Company in their then present positions at their then current levels of compensation until June 30, 1995 or such date as otherwise

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mutually agreed. The Company also agreed to pay such executive officers' said severance payments no later than April 15, 1995. Mr. Blackburn resigned as Chairman, Chief Executive Officer and President of the Company on April 21, 1995 and retired as an employee of the Company on April 30, 1995. Messrs. Brown and Pasley resigned effective December 15, 1995 and August 31, 1995, respectively. All of such other executive officers resigned on June 30, 1995, except Mr. Forrest who agreed to continue in the employment of the Company at a reduced salary and as an "at will" employee. Pursuant to said agreements and the change in control agreements, the named executive officers and all of the executive officers as a group (including said former executive officers) received "severance" payments in the following amounts: Mr. Monti--\$0; Mr. Miller--\$0; Mr. Forrest--\$1.0 million; Mr. Wadsworth--\$0; Mrs. Engelbrecht--\$0; Mr. Blackburn--\$2.7 million; Mr. Gaffney--\$0; Mr. Pasley--\$0.9 million; and Mr. Brown--\$0.6 million and the executive officers (including said former executive officers) as a group, \$7.9 million.

#### RETIREMENT PROGRAM

Effective February 1, 1987, the Company adopted a new retirement income plan (the "New Retirement Income Plan") applicable to most of its employees to replace the Company's former retirement income plans under which such employees ceased to accrue benefits on January 31, 1987. Under the New Retirement Income Plan, a covered employee acquires a right upon retirement to a yearly amount equal to 2% of the employee's earnings during each year from February 1, 1987 forward (rather than on final compensation or average final compensation) without offset for social security benefits. Benefits under the New Retirement Income Plan become vested after five years of service. Benefits may be paid in equal monthly installments, starting on the date of retirement and continuing until death, or employees may select one of a number of optional forms of payment having equal actuarial value as provided in the plan. The benefits payable under the New Retirement Income Plan are subject to maximum limitations under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code. In the case of the named executives, if benefits at the time of retirement exceed the then permissible limits of such statutes, the excess would be paid by the Company from the "SERP" described below.

The Company has an unfunded Supplemental Executive Retirement Plan that provides additional benefits to the Company's highest ranking officer, the other named executives and to certain executive employees designated by the highest

ranking officer. Under the SERP, a participant acquires the right to a lump sum amount upon retirement which is the actuarial equivalent of a straight life or, if married, a 50% joint and survivor annuity payable monthly in an amount equal to (a) the sum of (i) 1.6% of the participant's average monthly compensation in 1986 times the years of service through January 31, 1987, plus (ii) 2% of the participant's average monthly compensation after January 31, 1987 times the years of service after January 31, 1987 plus an additional five years less (b) the amount of the benefits calculated for such participant under the Company's other retirement plans. The maximum benefit payable is 60% of the participant's high three-year average pay. The amounts calculated under the SERP are not subject to any reduction for Social Security and are not determined primarily by final compensation or average final compensation and years of service. If a participant dies while still employed by the Company and is survived by an eligible spouse, the surviving spouse will receive a lump-sum payment equal to the present value of one-half of the benefit which would have been payable to the participant at his normal retirement age under the SERP assuming the participant had terminated employment with the Company at the time of death with a vested interest under the SERP and that the participant survived to the normal retirement age. In the case of retirement after age 55 but before age 60, the supplemental retirement benefits generally will be reduced by 5% for each year that the employee's actual retirement date precedes age 60. The benefits provided under the plan will vest upon completion of five years of service or attainment of age 55.

The estimated annual benefits payable upon retirement at normal retirement age (or January 1, 1996 in those cases where the participant's age on that date was greater than normal retirement age) under the Company's retirement plans as supplemented by the SERP based on service and compensation through December 31, 1995 for the executive officers named in the compensation table are as follows: Mr. Monti--\$82,668, Mr. Miller--\$46,751, Mr. Forrest--\$64,502, Mr. Wadsworth--\$52,900, Mrs. Engelbrecht--\$33,863 and Mr. Gaffney--\$0. The annual benefits payable under the Company's retirement plans as supplemented by

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the SERP to Mr. Blackburn who retired on April 30, 1995 (and received a lump sum distribution of his retirement benefits) were \$193,006. The annual benefits payable at normal retirement age to Mr. Brown who resigned from the Company effective December 15, 1995 are \$61,207 and to Mr. Pasley who resigned from the Company effective August 31, 1995 are \$58,002.

Whether any amounts actually become payable in whole or in part depends on the contingencies and conditions governing the applicable retirement plan.

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

From January 1, 1995 to April 21, 1995, the Compensation Committee of the Board of Directors consisted of J. David Barnes, B. Clark Burchfiel, Charles W. Hall, George L. Jackson and Richard W. Murphy. From April 21, 1995 to June 7, 1995, the Compensation Committee consisted of Jose Estenssoro, Cedric Bridger and James R. Lesch. On June 7, 1995, Nells Leon replaced Mr. Estenssoro.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Except as provided in the next succeeding sentence, the following table sets forth the beneficial ownership (as defined in the rules of the Securities and Exchange Commission) as of February 1, 1996 of the equity securities of the Company and YPF by the directors, the named executive officers and all directors and executive officers as a group. At such date, none of the directors or executive officers beneficially owned any \$4.00 Preferred Stock, \$9.75 Preferred Stock or \$2.50 Preferred Stock.

&lt;TABLE&gt;

&lt;CAPTION&gt;

NAME OF BENEFICIAL OWNER	TITLE OF SECURITY	AMOUNT AND NATURE OF SECURITIES BENEFICIALLY OWNED
<S>	<C>	<C>
C. L. Blackburn.....	Common Stock.....	-0-
	YPF Class "D".....	-0-
Cedric Bridger.....	Common Stock.....	-0- (1)
	YPF Class "D".....	3,942
Glen R. Brown.....	Common Stock.....	-0-
	YPF Class "D".....	-0-
Linda Engelbrecht.....	Common Stock.....	-0-
	YPF Class "D".....	-0-

Michael C. Forrest.....	Common Stock.....	-0-
	YPF Class "D".....	3,000
Peter Gaffney.....	Common Stock.....	-0-
	YPF Class "D".....	-0-
George L. Jackson.....	Common Stock.....	-0-
	YPF Class "D".....	-0-
Nells Leon.....	Common Stock.....	-0- (1) (2)
	YPF Class "D".....	-0-
James R. Lesch.....	Common Stock.....	-0- (1)
	YPF Class "D".....	2,000
W. Mark Miller.....	Common Stock.....	-0-
	YPF Class "D".....	-0-
Roberto Monti.....	Common Stock.....	-0-
	YPF Class "D".....	-0-
George W. Pasley.....	Common Stock.....	-0-
	YPF Class "D".....	-0-
P. Dexter Peacock.....	Common Stock.....	-0- (1)
	YPF Class "D".....	3,000
David A. Wadsworth.....	Common Stock.....	-0-
	YPF Class "D".....	-0-

&lt;/TABLE&gt;

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&lt;PAGE&gt; 39

&lt;TABLE&gt;

&lt;CAPTION&gt;

NAME OF BENEFICIAL OWNER	TITLE OF SECURITY	AMOUNT AND NATURE OF SECURITIES BENEFICIALLY OWNED
<S>	<C>	<C>
R. A. Walker.....	Common Stock.....	-0- (3)
	YPF Class "D".....	-0-
Directors and Executive Officers.....	Common Stock.....	-0- (1) (3)
as a group.....	YPF Class "D".....	11,942 (2) (4)

&lt;/TABLE&gt;

- (1) Does not include Common Stock owned by YPF, as to which each of Messrs. Bridger, Leon, Lesch and Peacock disclaim any beneficial ownership.
- (2) Does not include 347 YPF Class "D" shares owned by Mr. Leon's wife, as to which Mr. Leon disclaims any beneficial ownership.
- (3) Does not include equity securities owned by Prudential, as to which Mr. Walker disclaims beneficial ownership.
- (4) Directors and executive officers individually and as a group did not own more than 1% of the Common Stock or YPF Class D shares.

To the knowledge of the Company, as of February 1, 1996, no person beneficially owned more than 5% of any class of the Company's voting securities except as set forth below:

&lt;TABLE&gt;

&lt;CAPTION&gt;

NAME AND ADDRESS OF BENEFICIAL OWNER	TITLE OF CLASS	AMOUNT AND NATURE OF SHARES BENEFICIALLY OWNED	PERCENT OF CLASS
<S>	<C>	<C>	<C>
YPF Sociedad Anonima..	Common Stock	135,609,772	100%
Avenida Pte. Roque			
Saenz Pena 777			
1364 Buenos Aires			
Argentina			
The Prudential Insurance Company of America.....	Common Stock	7,910,000 (1)	5.6%
	\$9.75		
Prudential Plaza	Preferred	1,250,000 (2)	100.0%
Newark, New Jersey 07102-3777	Stock		
Kidder, Peabody Group Inc.....	Common Stock	8,000,000 (3)	5.6%
10 Hanover Square			
New York, New York 10005			

&lt;/TABLE&gt;

- 
- (1) Prudential reported on Amendment No. 7 to Schedule 13G, dated February 12, 1996, in connection with beneficial ownership at December 31, 1995, that it had sole voting and dispositive power with respect to all 7,910,000 shares of Common Stock indicated above as beneficially owned by it. The information herein regarding such shares assumes that Prudential's ownership had not changed as of February 1, 1996 and is included in reliance on such Amendment No. 7, except that the percent of class is based upon the Company's calculations made in reliance upon the information regarding such shares contained in such Amendment No. 7.
  - (2) On February 28, 1995, the Company and Prudential entered into an agreement pursuant to which Prudential waived certain rights, including conversion rights and registration rights. See "Item 13. Certain Relationships and Related Transactions."
  - (3) Kidder, Peabody Group Inc. ("Kidder") reported on Schedule 13D, dated October 10, 1992, that it owns 8,000,000 warrants, each representing the right to purchase from the Company at any time prior to 5:00 p.m. on October 10, 1997 one share of Common Stock at a price of \$13.00 per share. The 8,000,000 shares of Common Stock reported as beneficially owned by Kidder result from the assumed exercise of all 8,000,000 of such warrants. According to said Schedule 13D, General Electric Company is the indirect parent of Kidder. The information herein regarding such shares assumes that Kidder's beneficial ownership thereof had not changed as of February 1, 1996 and is included herein in reliance on such filing, except that the percent of class is based upon the Company's calculations made in reliance upon the information regarding such shares contained in such filing.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The Company has business transactions and relationships in the ordinary course of business with unaffiliated corporations and institutions with which certain of its directors, executive officers and substantial stockholders are affiliated, including the transactions discussed below. All such transactions are conducted on an arm's-length basis.

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<PAGE> 40

Gaffney, Cline, an oil and gas technical and management consulting firm of which Mr. Gaffney, the President and Chief Executive Officer and a director of the Company from April 21, 1995 to August 21, 1995, is a Senior Partner, has provided oil and gas technical and management consulting services to the Company for which the Company paid Gaffney, Cline approximately \$490,000 during 1995. The Company and Gaffney, Cline have agreed that Gaffney, Cline will continue to provide such services in 1996 and it is anticipated that the fees for such services will be lower.

During 1996 through the date of this report, YPF has made capital contributions to the Company in the aggregate amount of \$64 million pursuant to the terms of the Keepwell Covenant (see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources"). It is anticipated that YPF could be required to make capital contributions in 1996 totaling approximately \$200 million to \$250 million to fund the Company's obligations. Actual capital contributions made by YPF could vary significantly depending on, among other circumstances, oil and gas prices and program spending commitments. Such capital contributions will be credited to YPF's obligations under the Keepwell Covenant and will entitle YPF to shares of Common Stock.

During 1995, YPF made an advance to the Company in the amount of \$7 million. The Company and YPF intend to enter into a loan agreement during 1996 to facilitate short-term loans by YPF to the Company and short-term loans by the Company to YPF of excess cash balances. It is expected that loans will be made by the parties under the loan agreement during 1996, and while the number and amounts thereof are not presently known, it is expected that they will aggregate in excess of \$60,000.

Mr. Peacock, a director of the Company, is a partner in the law firm of Andrews & Kurth L.L.P. Andrews & Kurth provided certain legal services to the Company (including services rendered to YPFA Corp. in connection with the Merger), the fees for which the Company paid Andrews & Kurth approximately \$3,180,000 in 1995. It is anticipated that Andrews & Kurth will continue to provide legal services to the Company during 1996 and that the fees for such services will be significantly lower.

The Company and YPF intend to enter into a services agreement whereby the Company would render or arrange for services to be rendered to or for the benefit of YPF and YPF would render or arrange for services to be rendered to or for the benefit of the Company, and each party would be compensated on the basis of the cost to them of such services. It is not presently known what the cost of these services will be to either party but it is expected that it will exceed \$60,000.

During 1995, Prudential was the record or beneficial owner of more than 5% of one or more of the classes of the Company's voting securities. Mr. Walker, an officer of Prudential, was elected as a director of the Company by Prudential as holder of all of the \$9.75 Preferred Stock and pursuant to the terms thereof. The Company offers its employees the opportunity to participate in medical programs administered by Prudential. In addition, Prudential provides services and coverages relating to pension and life insurance programs for retired employees of Gateway Coal Company, a partnership owned by the Company. During 1995, the Company paid Prudential approximately \$238,000 for these services. The Company and Prudential have agreed that Prudential will continue to perform such services during 1996 and anticipate that the fees for the year will be somewhat higher.

Also during 1995, Prudential and the Company entered into an agreement to induce Prudential, as the holder of the \$9.75 Preferred Stock, to consent to the Merger as required by the terms of the Company's Restated Certificate of Incorporation. Under the agreement, the Company and Prudential agreed to waive certain rights and covenants with respect to the \$9.75 Preferred Stock and the Company paid Prudential a restructuring fee of \$250,000.

#### COMPLIANCE WITH SECTION 16(A) OF THE SECURITIES EXCHANGE ACT OF 1934

During 1995, a former director of the Company, Raymond A. Hay, filed a Form 4 reporting a sale of Common Stock in the month following the date upon which such filing was due.

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#### PART IV

#### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

##### (a) Documents filed as part of this report:

- (1) Financial Statements--The following financial statements appear on pages F-1 through F-26 and F-30 through F-69 of this report.

Consolidated Statement of Operations for the years ended December 31, 1994 and 1993, the three months ended March 31, 1995 and nine months ended December 31, 1995.

Consolidated Balance Sheet at December 31, 1995 and 1994.

Consolidated Statement of Cash Flows for the years ended December 31, 1994 and 1993, the three months ended March 31, 1995 and nine months ended December 31, 1995.

Notes to Consolidated Financial Statements.

Report of Independent Public Accountants.

Supplementary Financial Information (unaudited).

Quarterly Data (unaudited).

- (2) Financial Statement Schedules.

None

Condensed parent company financial information has been omitted, since the amount of restricted net assets of consolidated subsidiaries does not exceed 25% of total consolidated net assets. Also, footnote disclosure regarding restrictions on the ability of both consolidated and unconsolidated subsidiaries to transfer funds to the parent company has been omitted since the amount of such restrictions does not exceed 25% of total consolidated net assets.

- (3) Exhibits.

Each document marked by an asterisk is incorporated herein by reference to the designated document previously filed with the Securities and Exchange

Commission (the "Commission"). Each of Exhibits Nos. 10.1 through 10.10 and 10.15 through 10.25 is a management contract or compensatory plan, contract or arrangement required to be filed as an exhibit hereto by Item 14(c) of Form 10-K.

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<TABLE>
<C>
3(i)      --Restated Certificate of Incorporation of the Company (Exhibit 3(i).2
to the Company's Quarterly Report on Form 10-Q for the quarter ended
June 30, 1995).*
3(ii)     --By-Laws of the Company (Exhibit 3(ii).2 to the Company's Quarterly
Report on Form 10-Q for the quarter ended September 30, 1995).*
4.1       --Indenture dated as of April 1, 1978 between Diamond Shamrock
Corporation ("Diamond") and Mellon Bank, N.A. relating to Diamond's
$150,000,000 8 1/2% Sinking Fund Debentures due April 1, 2008 (Exhibit
4.1 to the Company's Annual Report on Form 10-K for the year ended
December 31, 1992 [the "1992 Form 10-K"])*.
4.2       --First Supplemental Indenture dated as of January 26, 1984 among the
Company, Diamond Shamrock Chemicals Company ("Chemicals") and Mellon
Bank, N.A. supplementing the Indenture described in Exhibit 4.1 above
(Exhibit 4.2 to the 1992 Form 10-K).*

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<PAGE> 42

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<TABLE>
<C>
4.3       --Tri Party Agreement dated January 24, 1993 appointing Chemical Bank as
successor trustee under the Indenture described in Exhibit 4.1 above
(Exhibit 4.3 to the Company's Current Report on Form 8-K dated January
12, 1994 [the "January 12 Form 8-K"])*.
4.4       --Indenture dated as of May 1, 1983 between Diamond and The Bank of New
York, successor in interest to NationsBank of Texas, N.A., successor
trustee to Mellon Bank, N.A. relating to unspecified Debt Securities
of Diamond (Exhibit 4.4 to the 1992 Form 10-K)*.
4.5       --Resolutions of the Board of Directors of Diamond supplementing the
Indenture described in Exhibit 4.4 above and establishing terms and
conditions of Diamond's $150,000,000 11 1/4% Sinking Fund Debentures
due May 1, 2013 (Exhibit 4.5 to the 1992 Form 10-K)*.
4.6       --First Supplemental Indenture dated as of January 26, 1984 among the
Company, Chemicals and Mellon Bank, N.A. supplementing the Indenture
and the resolutions described in Exhibits 4.4 and 4.5, respectively,
above (Exhibit 4.6 to the 1992 Form 10-K)*.
4.7       --Tri Party Agreement dated January 12, 1994 appointing NationsBank of
Texas, N.A. as successor trustee under the Indenture described in
Exhibit 4.4 above (Exhibit 4.1 to the January 12 Form 8-K)*.
4.8       --Indenture dated as of November 1, 1985 between the Company and The
Bank of New York, successor in interest to NationsBank of Texas, N.A.,
successor trustee to Mellon Bank, N.A. relating to unspecified Debt
Securities of the Company (Exhibit 4.8 to the 1992 Form 10-K)*.
4.9       --Resolutions of an ad hoc committee of the Board of Directors of the
Company supplementing the Indenture described in Exhibit 4.8 above and
establishing terms and conditions of the Company's $150,000,000
11 1/2% Sinking Fund Debentures due November 15, 2015 (Exhibit 4.9 to
the 1992 Form 10-K)*.
4.10      --Tri Party Agreement dated January 12, 1994 appointing NationsBank of
Texas, N.A. as successor trustee under the Indenture described in
Exhibit 4.8 above (Exhibit 4.2 to the January 12 Form 8-K)*.
4.11      --Indenture dated as of April 1, 1988 between the Company and Chemical
Bank relating to unspecified debt securities of the Company (Exhibit
4.11 to the 1992 Form 10-K)*.
4.12      --Officers' Certificate dated June 1, 1988 establishing a series of debt
securities ($150,000,000 Medium-Term Notes, Series A) to be issued
under the Indenture described in Exhibit 4.11 above (Exhibit 4.12 to
the 1992 Form 10-K)*.
4.13      --Indenture dated as of November 1, 1990 between the Company and
Chemical Bank relating to unspecified debt securities of the Company
(Exhibit 4.13 to the 1992 Form 10-K)*.
4.14      --Officers' Certificate dated February 13, 1991 establishing a series of
debt securities ($150,000,000 Medium-Term Notes, Series B) to be
issued under the Indenture described in Exhibit 4.13 above (Exhibit
4.14 to the 1992 Form 10-K)*.
4.15      --Officers' Certificate dated September 28, 1992 establishing a series
of debt securities ($250,000,000 9 7/8% Notes Due 2002) to be issued
under the Indenture described in Exhibit 4.13 above (Exhibit 4.15 to
the 1992 Form 10-K)*.
4.16      --Officers' Certificate dated January 26, 1993 establishing a series of
debt securities ($100,000,000 9 1/2% Notes Due 2003) to be issued

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under the Indenture described in Exhibit 4.13 above (Exhibit 4.16 to the 1992 Form 10-K).\*

&lt;/TABLE&gt;

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&lt;PAGE&gt; 43

<TABLE>  
<C>

&lt;S&gt;

- 4.17 --Officer's Certificate dated June 30, 1993 establishing a series of debt securities (\$150,000,000 Medium-Term Notes, Series C) to be issued under the Indenture described in Exhibit 4.13 above (Exhibit 4 to the Company's Current Report on Form 8-K dated June 21, 1993).\*
- 4.18 --Officer's Certificate dated October 27, 1993 establishing a series of debt securities (\$200,000,000 9 3/8% Notes due 2003) to be issued under the Indenture described in Exhibit 4.13 above (Exhibit 4 to the Company's Current Report on Form 8-K dated October 20, 1993).\*
- 4.19 --Officer's Certificate dated January 18, 1994 establishing a series of debt securities (\$60,000,000 9 3/8% Notes due 2003) to be issued under the Indenture described in Exhibit 4.13 (Exhibit 4 to the Company's Current Report on Form 8-K dated January 10, 1994).\*
- 4.20 --Preferred Stock Purchase Agreement dated February 1, 1987 (the "Preferred Stock Purchase Agreement") between the Company and The Prudential Insurance Company of America ("Prudential") (Exhibit 4.17 to the 1992 Form 10-K).\*
- 4.21 --Amendment dated February 8, 1987 to the Preferred Stock Purchase Agreement (Exhibit 4.18 to the 1992 Form 10-K).\*
- 4.22 --Registration Rights Agreement dated as of February 1, 1987 between the Company and Prudential (Exhibit 4.19 to the 1992 Form 10-K).\*
- 4.23 --Agreement dated April 12, 1990 amending the Preferred Stock Purchase Agreement (Exhibit 4.20 to the 1992 Form 10-K).\*
- 4.24 --Waiver of Certain Rights Relating to \$9.75 Preferred Stock dated June 5, 1990 between the Company and Prudential (Exhibit 4.21 to the 1992 Form 10-K).\*
- 4.25 --Waiver of Certain Equity Offering Rights dated April 12, 1990 between the Company and Prudential amending the Preferred Stock Purchase Agreement (Exhibit 4.22 to the 1992 Form 10-K).\*
- 4.26 --Agreement dated February 28, 1995 between Prudential and the Company (Exhibit 2 to the Company's Schedule 14D-9 dated March 3, 1995 [the "Schedule 14D-9"])\*.
- 4.27 --Waiver of Certain Rights Relating to \$9.75 Preferred Stock dated June 8, 1995 between Prudential and the Company, filed herewith.
- 4.28 --Warrant Certificate No. 1 dated October 10, 1992 issued to Kidder, Peabody Group Inc. for 8,000,000 warrants each representing the right to purchase from the Company on or prior to October 10, 1997 one share of common stock, \$1.00 par value, of the Company at a price of \$13.00 per share (Exhibit 4.23 to the 1992 Form 10-K).\*
- 4.29 --Registration Rights Agreement dated as of October 10, 1992 between Kidder, Peabody Group Inc. and the Company (Exhibit 4.24 to the 1992 Form 10-K).\*
- 4.30 --Agreement of Merger, dated February 28, 1995, among the Company, YPF Sociedad Anonima ("YPF") and YPF Acquisition Corp. ("YPFA") (Exhibit 3 to the Schedule 14D-9).\*
- 4.31 --Credit Agreement dated as of June 8, 1995, between Midgard Energy Company, the lenders signatory thereto and The Chase Manhattan Bank (National Association) ("Chase"), as agent (Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 8, 1995 [the "June 8, 1995 Form 8-K"])\*.
- 4.32 --Credit Agreement dated as of June 16, 1995, between Maxus Indonesia, Inc., Maxus Northwest Java Inc., Maxus Southeast Sumatra, Inc., the lenders signatory thereto and Chase, as agent (Exhibit 4.2 to the June 8, 1995 Form 8-K).\*

&lt;/TABLE&gt;

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&lt;PAGE&gt; 44

<TABLE>  
<C>

&lt;S&gt;

- 10.1 --Performance Incentive Plan of the Company, as amended effective January 1, 1986 (Exhibit 10.6 to the 1992 Form 10-K).\*
- 10.2 --Specimen copy of Change of Control Agreement between the Company and certain of its former its executive officers (Exhibit 10.7 to the 1992 Form 10-K).\*
- 10.3 --Specimen copy of letter agreement between the Company and certain of its former executive officers relating to the Agreements referred to in Exhibit 10.2 above (Exhibit 10.8 to the 1992 Form 10-K).\*
- 10.4 --Specimen copy of disability benefit arrangement between the Company and its executive officers (Exhibit 10.10 to the 1992 Form 10-K).\*

- 10.5 --Supplemental Executive Retirement Plan of the Company, effective May 1, 1987 (Exhibit 10.11 to the 1992 Form 10-K).\*
- 10.6 --Supplemental Executive Retirement Plan of the Company, effective March 1, 1990 (Exhibit 10.12 to the 1992 Form 10-K).\*
- 10.7 --Specimen copy of supplemental death benefit arrangement between the Company and its executive officers (Exhibit 10.13 to the 1992 Form 10-K).\*
- 10.8 --Maxus Energy Corporation Supplemental Savings Plan (as amended and restated effective June 8, 1995), filed herewith.
- 10.9 --Trust Agreement dated December 18, 1986 between the Company and AmeriTrust Company National Association (Exhibit 10.15 to the 1992 Form 10-K).\*
- 10.10 --Deferred Compensation Plan for Executives of the Company, effective September 28, 1993 (Exhibit 10.17 to the 1993 Form 10-K).\*
- 10.11 --Distribution Agreement dated as of April 22, 1987 between the Company and Diamond Shamrock R&M, Inc. (Exhibit 10.23 to the 1992 Form 10-K).\*
- 10.12 --Rights Agreement dated as of September 2, 1988 between the Company and AmeriTrust Company National Association (Exhibit 10.24 to the 1992 Form 10-K).\*
- 10.13 --Stock Purchase Agreement by and among the Company and Occidental Petroleum Corporation, et. al. dated September 4, 1986 (Exhibit 10.25 to the 1992 Form 10-K).\*
- 10.14 --Agreement of Merger dated as of February 28, 1995 among YPF, YPFA Corp. and the Company (Exhibit 3 to the Schedule 14D-9).\*
- 10.15 --International Consulting Agreement, dated May 1, 1995 between C. L. Blackburn and YPF, filed herewith.
- 10.16 --Assignment of International Consulting Agreement, dated November 2, 1995 between C. L. Blackburn, YPF, and the Company, filed herewith.
- 10.17 --Maxus Severance Agreement dated August 3, 1995 between the Company and Roberto Luis Monti, filed herewith.
- 10.18 --Compensation Agreement dated December 27, 1995 between the Company and Roberto L. Monti, filed herewith.
- 10.19 --Services Agreement dated April 5, 1995 between the Company and Peter D. Gaffney, filed herewith.
- 10.20 --Secondment Agreement dated April 5, 1995 between the Company, YPF and Gaffney, Cline & Associates, Inc., filed herewith.
- 10.21 --Amendment to Change in Control Agreement dated May 11, 1995 between the Company and W. Mark Miller, filed herewith.
- 10.22 --Employment Agreement effective as of July 1, 1995 between the Company and W. Mark Miller, filed herewith.

&lt;/TABLE&gt;

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&lt;PAGE&gt; 45

&lt;TABLE&gt;

&lt;C&gt;

&lt;S&gt;

- 10.23 --Specimen copy of a letter agreement regarding Change in Control Agreement dated April 7, 1995 between the Company and certain of its executive officers, filed herewith.
- 10.24 --Letter Agreement regarding Change in Control Agreement dated April 13, 1995 between the Company and Michael C. Forrest, filed herewith.
- 10.25 --Specimen copy of a letter agreement regarding Change in Control Agreement dated -----, 1995 between the Company and certain of its executive officers, filed herewith.
- 21.1 --List of Subsidiaries of the Company, filed herewith.
- 23.1 --Consent of Independent Accountants, filed herewith.
- 23.2 --Consent of Independent Accountants, filed herewith.
- 24.1 --Powers of Attorney of directors and officers of the Company, filed herewith.
- 24.2 --Power of Attorney of the Company, filed herewith.
- 27.1 --Financial Data Schedule, filed herewith.

&lt;/TABLE&gt;

(b) Reports on Form 8-K.

None.

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&lt;PAGE&gt; 46

## SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

MAXUS ENERGY CORPORATION



By ROBERTO MONTI\*  
 Roberto Monti  
 President and  
 Chief Executive Officer

March 21, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

SIGNATURE	TITLE
ROBERTO MONTI* Roberto Monti	President and Chief Executive Officer and Director
W. MARK MILLER* W. Mark Miller	Executive Vice President and Treasurer (principal financial officer)
LINDA R. ENGELBRECHT* Linda R. Engelbrecht	Controller (principal accounting officer)
CHARLES L. BLACKBURN* Charles L. Blackburn	Director
CEDRIC BRIDGER* Cedric Bridger	Director
GEORGE I. JACKSON* George I. Jackson	Director
NELLS LEON* Nells Leon	Director
JAMES R. LESCH* James R. Lesch	Director
P. DEXTER PEACOCK P. Dexter Peacock	Director
R. A. WALKER* R. A. Walker	Director

</TABLE>

Lynne P. Ciuba, by signing her name hereto, does hereby sign this report on Form 10-K on behalf of each of the above-named officers and directors of the registrant pursuant to a power of attorney executed by each of such officers and directors.

LYNNE P. CIUBA Lynne P. Ciuba Attorney-in-fact	March 21, 1996
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</TABLE>

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# MAXUS ENERGY CORPORATION

## CONSOLIDATED STATEMENT OF OPERATIONS

	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, ----- 1994      1993 -----	
	(IN MILLIONS,	EXCEPT PER SHARE)	
	<C>	<C>	<C>
Revenues			
Sales and operating revenues.....	\$142.5	\$682.1	\$786.7

Other revenues, net.....	9.6	9.0	40.4
	-----	-----	-----
	152.1	691.1	827.1
Costs and Expenses			
Operating expenses.....	64.6	242.8	263.9
Gas purchase costs.....	12.7	116.9	155.6
Exploration, including exploratory dry holes.....	8.9	35.5	59.8
Depreciation, depletion and amortization.....	29.9	140.2	153.6
General and administrative expenses.....	4.2	22.4	25.7
Taxes other than income taxes.....	3.1	12.9	15.9
Interest and debt expenses.....	24.1	96.7	88.4
Pre-merger costs.....	42.4		
Environmental studies and remediation.....		60.5	17.9
Restructuring:			
Gain on sale of assets.....		(201.9)	
Restructuring costs.....		100.9	
	-----	-----	-----
	189.9	626.9	780.8
Income (Loss) Before Income Taxes, Extraordinary Item and			
Cumulative Effect of Change in Accounting Principle.....	(37.8)	64.2	46.3
Income Taxes.....	19.1	86.9	84.2
	-----	-----	-----
Net Loss Before Extraordinary Item and			
Cumulative Effect of Change in Accounting Principle.....	(56.9)	(22.7)	(37.9)
Extraordinary item, net of tax benefit of \$.1.....			(7.1)
Cumulative effect of change in accounting principle.....			(4.4)
	-----	-----	-----
Net Loss.....	(56.9)	(22.7)	(49.4)
Dividend requirement on Preferred Stock.....	(9.6)	(43.6)	(41.7)
	-----	-----	-----
Net Loss Applicable to Common Shares.....	\$(66.5)	\$(66.3)	\$(91.1)
	=====	=====	=====
Net Loss Per Common Share Before Extraordinary Item and			
Cumulative Effect of Change in Accounting Principle.....	\$ (.49)	\$ (.49)	\$ (.60)
Extraordinary item.....			(.05)
Cumulative effect of change in accounting principle.....			(.03)
	-----	-----	-----
Net Loss Per Common Share.....	\$ (.49)	\$ (.49)	\$ (.68)
	=====	=====	=====
Average Common Shares Outstanding.....	135.5	134.7	133.9

&lt;/TABLE&gt;

See Notes to Consolidated Financial Statements.

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&lt;PAGE&gt; 48

## MAXUS ENERGY CORPORATION

## CONSOLIDATED BALANCE SHEET

&lt;TABLE&gt;

&lt;CAPTION&gt;

	MARCH 31, 1995	DECEMBER 31, 1994
ASSETS		
-----	-----	-----
	(IN MILLIONS, EXCEPT SHARES)	
	<C>	<C>
<S>		
Current Assets		
Cash and cash equivalents.....	\$ 91.6	\$ 40.6
Short-term investments.....	65.0	103.8
Receivables, less allowance for doubtful accounts.....	127.8	152.4
Taxes receivable.....	13.7	23.8
Inventories.....	28.6	27.9
Restricted cash.....	48.5	46.4
Prepays and other current assets.....	19.4	18.7
	-----	-----
Total Current Assets.....	394.6	413.6
Properties and Equipment, less accumulated depreciation, depletion		
and amortization.....	1,110.7	1,088.4
Investments and Long-Term Receivables.....	41.5	40.2
Restricted Cash.....	79.9	94.2
Intangible Assets, less accumulated amortization.....	35.5	35.8
Deferred Income Taxes.....	9.4	9.4
Deferred Charges.....	20.5	25.1
	-----	-----
	\$ 1,692.1	\$ 1,706.7
	=====	=====

## LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Long-term debt.....	\$ 4.7	\$ 4.7
Accounts payable.....	49.8	65.1
Accrued liabilities.....	169.8	101.2
Total Current Liabilities.....	224.3	171.0
Long-Term Debt.....	970.9	970.9
Deferred Income Taxes.....	199.7	199.3
Other Liabilities and Deferred Credits.....	158.7	149.4
\$9.75 Redeemable Preferred Stock, \$1.00 par value		
Authorized and issued shares--1,250,000.....	125.0	125.0
Stockholders' Equity		
\$2.50 Preferred Stock, \$1.00 par value		
Authorized shares--5,000,000		
Issued shares--3,500,000.....	3.5	3.5
\$4.00 Preferred Stock, \$1.00 par value		
Authorized shares--5,915,017		
Issued shares--4,356,958 and 4,358,658.....	4.4	4.4
Common Stock, \$1.00 par value		
Authorized shares--300,000,000		
Issued shares--135,897,899 and 135,694,722.....	135.9	135.7
Paid-in capital.....	966.2	988.1
Accumulated deficit.....	(1,073.3)	(1,016.4)
Minimum pension liability.....	(18.3)	(18.3)
Unrealized loss on marketable securities.....	(1.3)	(2.4)
Common Treasury Stock, at cost--310,535 and 295,995.....	(3.6)	(3.5)
Total Stockholders' Equity.....	13.5	91.1
	\$ 1,692.1	\$ 1,706.7
	=====	=====

&lt;/TABLE&gt;

See "Commitments and Contingencies."

See Notes to Consolidated Financial Statements.

The Company uses the successful efforts method to account for its oil and gas producing activities.

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## MAXUS ENERGY CORPORATION

## CONSOLIDATED STATEMENT OF CASH FLOWS

&lt;TABLE&gt;

&lt;CAPTION&gt;

	THREE MONTHS ENDED MARCH 31, 1995	TWELVE MONTHS ENDED DECEMBER 31,	
		1994	1993
		-----	-----
		1994	1993
		-----	-----
		(IN MILLIONS)	
<S>			
Cash Flows From Operating Activities:			
Net loss.....	\$ (56.9)	\$ (22.7)	\$ (49.4)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Extraordinary item.....			7.1
Cumulative effect of change in accounting principle...			4.4
Depreciation, depletion and amortization.....	29.9	140.2	153.6
Dry hole costs.....	1.0	2.8	5.7
Deferred income taxes.....	0.4	(9.3)	22.3
Net gain on sale of assets and investments.....	(1.7)	(166.7)	(13.8)
Postretirement benefits.....	1.4	6.2	6.6
Pre-merger costs.....	42.4		
Restructuring costs.....		91.0	
Environmental studies and remediation.....		60.5	17.9
Other.....	1.3	9.2	15.1
Changes in components of working capital:			
Receivables.....	23.8	(1.8)	(21.5)
Inventories, prepaids and other current assets...	(1.4)	(2.3)	(6.4)
Accounts payable.....	(15.1)	(22.3)	9.0
Accrued liabilities.....	26.3	(12.5)	(5.2)
Taxes payable/receivable.....	10.1	(2.8)	(8.8)
	-----	-----	-----

Net Cash Provided by Operating Activities...	61.5	69.5	136.6
Cash Flows From Investing Activities:			
Expenditures for properties and equipment--including dry hole costs.....	(53.6)	(166.2)	(340.0)
Expenditures for investments.....		(20.1)	(20.4)
Proceeds from sales of assets.....	2.1	377.0	20.4
Proceeds from sale/maturity of short-term investments.....	63.4	10.9	171.3
Purchases of short-term investments.....	(24.6)	(111.8)	(53.1)
Restricted cash.....	12.2	19.6	(35.5)
Other.....	9.8	(10.8)	(20.4)
Net Cash Provided by (Used in) Investing Activities.....	9.3	98.6	(277.7)
Cash Flows From Financing Activities:			
Net borrowings from joint venture partners.....		(4.4)	4.4
Interest rate swap.....	3.4	(7.9)	5.8
Proceeds from issuance of short-term debt.....		30.0	32.7
Repayment of short-term debt.....		(69.1)	(32.7)
Proceeds from issuance of long-term debt.....		101.3	412.5
Repayment of long-term debt.....		(137.5)	(203.7)
Stock rights redemption.....	(13.6)		
Proceeds from issuance of Preferred Stock.....			85.7
Redemption of Preferred Stock.....		(125.0)	
Dividends paid on Preferred Stock.....	(9.6)	(43.6)	(41.7)
Net Cash Provided by (Used in) Financing Activities.....	(19.8)	(256.2)	263.0
Net Increase (Decrease) in Cash and Cash Equivalents.....	51.0	(88.1)	121.9
Cash and Cash Equivalents at Beginning of Year.....	40.6	128.7	6.8
Cash and Cash Equivalents at End of Year.....	\$ 91.6	\$ 40.6	\$ 128.7

&lt;/TABLE&gt;

See Notes to Consolidated Financial Statements.

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PRESENTATION

On June 8, 1995, a special meeting of the stockholders of Maxus Energy Corporation (together with its foreign and domestic subsidiaries, the "Company" or "Maxus") was held to approve the Agreement of Merger ("Merger Agreement") dated February 28, 1995, between the Company, YPF Acquisition Corp. (the "Purchaser") and YPF Sociedad Anonima ("YPF"). The holders of the Company's common stock, \$1.00 par value per share, and \$4.00 Cumulative Convertible Preferred Stock approved the Merger Agreement, and the Purchaser was merged into the Company (the "Merger") on June 8, 1995.

Effective April 1, 1995, the Company used the purchase method of accounting to record the acquisition of the Company by YPF. In a purchase method combination, the purchase price is allocated to acquired assets and assumed liabilities based on their fair values at the date of acquisition. As a result, the Company's assets and liabilities were revalued to reflect the approximate \$762 million cash purchase price paid by YPF to acquire the Company. The Company's pre-Merger Consolidated Balance Sheet as of March 31, 1995, together with the purchase method accounting adjustments became the Company's opening post-Merger Consolidated Balance Sheet on April 1, 1995.

The following pre-Merger data is for the three months ended March 31, 1995, and the years ended December 31, 1994 and 1993 and dollar amounts in tables are in millions, except per share amounts. The financial statements for the three-month period ended March 31, 1995, and the years ended December 31, 1994 and 1993 are presented separately as pre-Merger and post-Merger financial information are not comparable. Certain data for 1994 and 1993 has been reclassified to conform with the 1995 presentation.

## NOTE ONE--SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements have been prepared in conformity with generally accepted accounting principles, the most significant of which are

described below.

#### Consolidation and Equity Accounting

The Consolidated Financial Statements include the accounts of Maxus Energy Corporation and all domestic and foreign subsidiaries. The Company used the equity method to account for its less than majority owned investments in affiliates and joint ventures ("Associated Companies"). Under the equity method, the Company recognizes its proportionate share of the net income or loss of Associated Companies currently, rather than when realized through dividends or disposal. The Company used the proportionate consolidation method to account for its investment in Diamond Shamrock Offshore Partners Limited Partnership ("Offshore Partners"). The Company sold its investment in Offshore Partners in the second quarter of 1994 (See Note Four). All significant intercompany accounts and transactions have been eliminated.

#### Statement of Cash Flows

Investments with original maturities of three months or less at the time of original purchase are considered cash equivalents for purposes of the accompanying Consolidated Statement of Cash Flows. Short-term investments include investments with maturities over three months but less than one year.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Net cash provided by operating activities reflects cash receipts for interest income and cash payments for interest expense and income taxes as follows:

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED MARCH 31, 1995	TWELVE MONTHS ENDED DECEMBER 31, ----- 1994      1993 -----	
<S>	<C>	<C>	<C>
Interest receipts.....	\$ 7.0	\$12.4	\$13.5
Interest payments.....	12.2	98.7	82.0
Income tax payments.....	18.6	98.1	73.4

</TABLE>

#### Inventory Valuation

Inventories are valued at the lower of historical cost or market value and are primarily comprised of well equipment and supplies. Historical cost is determined primarily by using the weighted average cost method.

#### Properties and Equipment

Properties and equipment are carried at cost. Major additions are capitalized; expenditures for repairs and maintenance are charged against earnings.

The Company uses the successful efforts method to account for costs incurred in the acquisition, exploration, development and production of oil and gas reserves. Under this method, all geological and geophysical costs are expensed; all development costs, whether or not successful, are capitalized as costs of proved properties; exploratory drilling costs are initially capitalized, but if the effort is determined to be unsuccessful, the costs are then charged against earnings; depletion is computed based on an aggregation of properties with common geologic structural features or stratigraphic conditions, such as reservoirs or fields.

For investment in unproved properties in the United States, a valuation allowance (included as an element of depletion) is provided by a charge against earnings to reflect the impairment of unproven acreage. Investment in international non-producing leasehold costs are reviewed periodically by management to insure the carrying value is recoverable based upon the geological and engineering estimates of total possible and probable reserves expected to be added over the remaining life of each concession. Based upon increases to proved reserves determined by reserve reports, a portion of the investment in international non-producing leasehold costs will be periodically transferred to

investment in proved properties.

Depreciation and depletion related to the costs of all development drilling, successful exploratory drilling and related production equipment is calculated using the unit of production ("UOP") method based upon estimated proved developed reserves. Leasehold costs are amortized using the UOP method based on estimated total proved reserves. Other properties and equipment are depreciated generally on the straight-line method over their estimated useful lives. Intangible assets are amortized on the straight-line method over their legal or estimated useful lives, not to exceed 40 years. Estimated future dismantlement, restoration and abandonment costs for major facilities, net of salvage value, are taken into account in determining depreciation, depletion and amortization.

The Company capitalizes the interest cost associated with major property additions and mineral development projects while in progress, such amounts being amortized over the useful lives, and applying the same depreciation method, as that used for the related assets.

When complete units of depreciable property are retired or sold, the asset cost and related accumulated depreciation are eliminated with any gain or loss reflected in other revenues, net. When less than complete units of depreciable property are disposed of or retired, the difference between asset cost and salvage or sales value is charged or credited to accumulated depreciation and depletion.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

##### Deferred Charges

Deferred charges are primarily comprised of debt issuance costs and are amortized over the terms of the related debt agreements.

##### Revenue Recognition

Oil and gas sales are recorded on the entitlements method. Differences between the Company's actual production and entitlements result in a receivable when underproduction occurs and a payable when overproduction occurs. These underproduced or overproduced volumes are valued based on the weighted average sales price for each respective property. The Company's gross underproduced and overproduced values at March 31, 1995, are not material.

##### Pensions

The Company has a number of trustee noncontributory pension plans covering substantially all full-time employees. The Company's funding policy is to contribute amounts to the plans sufficient to meet the minimum funding requirements under governmental regulations, plus such additional amounts as management may determine to be appropriate. The benefits related to the plans are based on years of service and compensation earned during years of employment. The Company also has a noncontributory supplemental retirement plan for executive officers.

##### Other Postretirement and Postemployment Benefits

The Company provides certain health care and life insurance benefits for retired employees and certain insurance and other postemployment benefits for individuals whose employment is terminated by the Company prior to their normal retirement. The Company accrues the estimated cost of retiree benefit payments, other than pensions, during employees' active service period. Employees become eligible for these benefits if they meet minimum age and service requirements. The Company accounts for benefits provided after employment but before retirement by accruing the estimated cost of postemployment benefits when the minimum service period is met, payment of the benefit is probable and the amount of the benefit can be reasonably estimated. The Company's policy is to fund other postretirement and postemployment benefits as claims are incurred.

##### Environmental Expenditures

Environmental liabilities are recorded when environmental assessments and/or remediation are probable and material and such costs to the Company can be reasonably estimated. The Company's estimate of environmental assessment and/or remediation costs to be incurred are based on either 1) detailed feasibility studies of remediation approach and cost for individual sites or 2)

the Company's estimate of costs to be incurred based on historical experience and publicly available information, based on the stage of assessment and/or remediation of each site. As additional information becomes available regarding each site or as environmental remediation standards change, the Company revises its estimate of costs to be incurred in environmental assessment and/or remediation.

#### Income Taxes

The Company reports income taxes in accordance with Statement of Financial Accounting Standards No. 109 ("SFAS 109"), Accounting for Income Taxes. SFAS 109 requires the use of an asset and liability approach to measure deferred tax assets and liabilities resulting from all expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Additionally, SFAS 109 requires that annual taxes are to be allocated to interim periods on the basis of the requirements of

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#### MAXUS ENERGY CORPORATION

##### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Accounting Principles Board Opinion No. 28 ("APB 28"), Interim Financial Reporting. The reporting requirements of APB 28 are based on the view that each interim period is an integral part of the related annual period.

Because the tax year of the Company did not close in any relevant jurisdiction on March 31, 1995, taxes were not measured on deferred tax liabilities and assets at that time. In accordance with APB 28 and SFAS 109, taxes were allocated to the period based on the estimated annual effective tax rate for the period ended December 31, 1995.

#### Earnings per Share

Primary earnings per share are based on the weighted average number of shares of common stock and common stock equivalents outstanding, unless the inclusion of common stock equivalents has an antidilutive effect on earnings per share. Fully diluted earnings per share are not presented due to the antidilutive effect of including all potentially dilutive common stock equivalents.

#### Financial Instruments with Off-Balance-Sheet Risk and Concentrations of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents, short-term investments, restricted cash and trade receivables.

The Company's cash equivalents, short-term investments and restricted cash represent high-quality securities placed with various high investment grade institutions. This investment practice limits the Company's exposure to concentrations of credit risk.

The Company's trade receivables are dispersed among a broad domestic and international customer base; therefore, concentrations of credit risk are limited. The Company carefully assesses the financial strength of its customers. Letters of credit are the primary security obtained to support lines of credit.

The Company has minimal exposure to credit losses in the event of nonperformance by the counterparties to its interest rate swap agreement, natural gas price swap agreements and nonderivative financial assets. The Company does not obtain collateral or other security to support financial instruments subject to credit risk but restricts such arrangements to investment-grade counterparties.

#### Investments in Marketable Securities

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, ("SFAS 115") "Accounting for Certain Investments in Debt and Equity Securities." SFAS 115 requires that investments in debt and equity securities be reported at fair value except for those investments in debt securities which management has the intent and the ability to hold to maturity. Investments in debt securities which are held-for-sale are classified based on the stated maturity and management's intent to sell the securities. Unrealized gains and losses on investments in marketable securities, except for debt securities classified as "held-to-maturity", are reported as a separate component of stockholders' equity. The cumulative effect of adopting SFAS 115 of

\$2.4 million was recorded as a valuation reserve in shareholders' equity. The Company's gross unrealized loss on its involvement in marketable securities which are included in long-term investments at March 31, 1995, was \$1.3 million which was entirely comprised of unrealized losses on the Company's investment in U. S. Treasury Notes. Prior to the adoption of SFAS 115, the Company accounted for its investments in debt securities at amortized cost and classified such investments according to the stated maturity of the underlying securities.

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

## Derivatives

The Company periodically hedges the effects of fluctuations in the price of crude oil and natural gas through price swap agreements and futures contracts. The Company historically has hedged no more than 50% of its U. S. gas production. Gains and losses on these hedges are deferred until the related sales are recognized and are recorded as a component of sales and operating revenues. The Company periodically enters into interest rate swap agreements to hedge interest on long-term debt. The gain or loss on interest rate swaps is recognized monthly as a decrease or increase to interest expense.

## Take-or-Pay Obligations

The Company records payments received for take-or-pay obligations for unpurchased contract volumes as deferred revenue, which is included in Other Liabilities in the consolidated balance sheet. The deferred revenue is recognized in the income statement as quantities are delivered which fulfill the take-or-pay obligation. At March 31, 1995, the Company had \$13.6 million in deferred revenue as a result of a take-or-pay payment received related to its Indonesian operations.

## NOTE TWO--MASTER LIMITED PARTNERSHIP

In 1994, the Company sold its interests in Offshore Partners, a master limited partnership, which explored for and produced natural gas and crude oil on federal offshore leases in the Gulf of Mexico (See Note Four). Maxus Offshore Exploration Company, a wholly owned subsidiary of the Company, and the Company had a combined 1% general partner's interest in Offshore Partners and were the managing general partner and special general partner, respectively. The Company had an aggregate interest in Offshore Partners of approximately 87.1% at December 31, 1993.

## NOTE THREE--PRE-MERGER COSTS

In March 1995, the Company recorded \$42.4 million of pre-merger costs associated with the Merger. Such costs, which included expenses associated with financial consulting and legal services, severance payments pursuant to change of control agreements and payments for surrender of stock options and restricted stock, were recorded in accrued liabilities in the consolidated balance sheet.

## NOTE FOUR--RESTRUCTURING

## Asset Sales

On April 25, 1994, Offshore Partners sold its interests in Main Pass Blocks 72, 73 and 74. On April 26, 1994, Maxus and its subsidiaries sold all of their partnership interests in Offshore Partners. On June 22, 1994, Maxus also sold the McFarlan Field and Grand Isle Block 25, both producing oil and gas properties. In total, the Company received \$324.6 million of proceeds and recorded a net gain of \$201.9 million from these transactions.

## Restructuring Costs

In June 1994, the Company recorded a \$100.9 million restructuring charge. The charge included a \$69.8 million write-off associated with undeveloped Alaska coal leases, the development of which does not fit within the Company's strategy to commit funds only to oil and gas exploration and production. The charge also included costs associated with staff reductions and the write-off of non-producing assets outside the Company's core areas.

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## MAXUS ENERGY CORPORATION



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

## NOTE FIVE--ASSET ACQUISITIONS AND DIVESTITURES

In September of 1994, the Company sold its geothermal subsidiary, Thermal Power Company, for approximately \$58 million net in cash and a \$6.5 million promissory note due from the purchaser in 1997. A \$12.6 million loss on the sale of these assets was recognized.

In November of 1993, the Company transferred its working interest in the Recetor Block in Colombia to its partner for partial recoupment of its investment. Maxus received \$10 million and retained an overriding royalty interest ("ORI"). There was no gain or loss recognized on this transaction. In December 1995, the Company sold its ORI to the same party for \$25 million.

In October 1993, the Company and its Venezuelan partner, Otepi Consultores, S.A., were awarded an operating service agreement to reactivate Venezuelan oil fields with Lagoven, S.A., an affiliate of the national oil company, Petroleos de Venezuela, S.A. Under the terms of the operating service agreement, Maxus will be a contractor for Lagoven and will be responsible for overall operations of the Quiriquire Unit, including all necessary investments to reactivate the fields comprising the unit. Maxus will receive a fixed fee in U.S. dollars for each barrel of crude oil produced based on an average international crude oil price. Maxus is reimbursed in U.S. dollars for its capital expenditures, provided that such fee and expense reimbursement cannot exceed the maximum dollar amount per barrel set forth in the agreement. The Venezuelan government will retain full ownership of all hydrocarbons in the field.

During the second quarter of 1994, Maxus Venezuela (C.I.) Ltd., a subsidiary of Maxus, signed an agreement with BP Exploracion de Venezuela S.A., granting BP a 45% interest in the Quiriquire Unit in eastern Venezuela. Maxus Venezuela remained the operator with a 50% interest and Otepi Consultores, a Venezuelan company, holds the remaining 5%. Also, during the second quarter of 1994, Maxus Bolivia, Inc., a subsidiary of Maxus, signed an agreement to take BHP Petroleum as a partner in its Bolivian oil development project. The Company received \$10 million from BHP in exchange for a 50% interest in the project.

## NOTE SIX--GEOGRAPHIC DATA

The Company is engaged primarily in the exploration for and the production and sale of crude oil and natural gas. Sales, operating profit and identifiable assets by geographic area were as follows:

SALES AND OPERATING REVENUES			
	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31,	
		1994	1993
<S>	<C>	<C>	<C>
United States.....	\$ 41.6	\$276.9	\$380.7
Indonesia.....	93.1	381.2	406.0
South America.....	7.8	24.0	
	\$142.5	\$682.1	\$786.7
	=====	=====	=====

&lt;/TABLE&gt;

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

OPERATING PROFIT (LOSS)			
	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31,	
		1994	1993
<S>	<C>	<C>	<C>

United States.....	\$ 2.9	\$ 35.0	\$ 26.3
Indonesia.....	36.8	138.5	169.1
South America.....	(3.7)	(2.6)	(13.0)
Other foreign.....	(1.7)	(11.6)	(20.4)
	-----	-----	-----
	34.3	159.3	162.0
Equity earnings.....		5.2	10.2
General corporate expenses.....	(5.6)	(104.6)	(37.5)
Interest and debt expenses.....	(24.1)	(96.7)	(88.4)
Pre-merger costs.....	(42.4)		
Restructuring costs.....		101.0	
	-----	-----	-----
	\$(37.8)	\$ 64.2	\$ 46.3
	=====	=====	=====

&lt;/TABLE&gt;

&lt;TABLE&gt;

&lt;CAPTION&gt;

IDENTIFIABLE ASSETS			
-----			
	MARCH 31,	DECEMBER 31,	
	1995	1994	1993
	-----	-----	-----
<S>	<C>	<C>	<C>
United States.....	\$ 295.7	\$ 327.0	\$ 521.1
Indonesia.....	639.0	647.5	665.5
South America.....	317.2	304.2	218.9
Other foreign.....	15.3	11.4	3.9
	-----	-----	-----
	1,267.2	1,290.1	1,409.4
Corporate assets.....	424.9	416.6	489.7
Investments in Associated Companies.....			88.3
	-----	-----	-----
	\$ 1,692.1	\$1,706.7	\$1,987.4
	=====	=====	=====

&lt;/TABLE&gt;

Net foreign assets were \$685.5 million at March 31, 1995, \$701.4 million at December 31, 1994 and \$673.5 million at December 31, 1993.

Income from foreign operations, after applicable local income taxes, was \$16.7 million for the three months ended March 31, 1995 and \$63.9 million and \$77.8 million for the years ended December 31, 1994 and 1993, respectively.

Sales to three customers for the three months ended March 31, 1995 and the year ended December 31, 1994 and 1993 each represented 10% or more of consolidated sales:

&lt;TABLE&gt;

&lt;CAPTION&gt;

-----			
	THREE MONTHS ENDED MARCH 31, 1995	TWELVE MONTHS ENDED DECEMBER 31,	
	-----	1994	1993
	-----	-----	-----
<S>	<C>	<C>	<C>
Phillips Petroleum Company.....	\$ 14.3	\$ 56.4	\$ 41.1
Mitsubishi Corporation.....	23.4	66.5	83.3
Indonesian Government.....	36.4	145.8	148.0

&lt;/TABLE&gt;

The Company does not believe that the loss of Mitsubishi Corporation and Phillips Petroleum Company as customers would adversely affect the Company's ability to market its oil and gas production. Sales to the Company's largest customer, the Indonesian Government, are made primarily pursuant to long-term

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

production sharing contracts between the Company's Indonesian operations and the Indonesian Government. The Indonesian Government is required to purchase a specified amount of the Company's oil and gas production throughout the life of its operations in Indonesia based on these contracts.

## NOTE SEVEN--TAXES

The Company reports income taxes in accordance with SFAS 109 (See Note One). The standard was adopted in January 1993. Adoption, which was made prospectively, had no impact on 1993 earnings or cash flow; however, \$21.0 million of deferred tax liabilities which were considered current under SFAS 96 were reclassified as noncurrent and \$4.1 million of deferred tax assets were reclassified as current assets.

Income before income taxes, extraordinary item and cumulative effect of change in accounting principle was comprised of income (loss) from:

	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31,	
		1994	1993
<S>	<C>	<C>	<C>
United States.....	\$ (69.2)	\$ (60.1)	\$ (89.4)
Foreign.....	31.4	124.3	135.7
	-----	-----	-----
	\$ (37.8)	\$ 64.2	\$ 46.3
	=====	=====	=====

&lt;/TABLE&gt;

The Company's provision for income taxes was comprised of the following:

	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31,	
		1994	1993
<S>	<C>	<C>	<C>
Current			
Federal.....		\$ (20.1)	\$ .4
Foreign.....	\$ 18.7	73.7	60.9
State and local.....		5.5	.6
	-----	-----	-----
	18.7	59.1	61.9
Deferred			
Federal.....		24.7	
Foreign.....	.4	3.1	22.3
	-----	-----	-----
	.4	27.8	22.3
	-----	-----	-----
Provision for income taxes.....	\$ 19.1	\$ 86.9	\$ 84.2
	=====	=====	=====

&lt;/TABLE&gt;

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The principal reasons for the difference between tax expense at the statutory federal income tax rate of 35% and the Company's provision for income taxes were:

	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31,	
		1994	1993
<S>	<C>	<C>	<C>
Tax expense at statutory federal rate.....	\$ (13.2)	\$ 22.5	\$ 16.2
Increase (reduction) resulting from:			
Taxes on foreign income.....	12.4	49.5	53.7
Excess statutory depletion.....		(.7)	(1.0)
Asset sales.....		20.5	
Alternative minimum tax.....		(.3)	.3
Settlement of claims relating to Natomas			

acquisition.....		(.3)	(2.4)
Nondeductible pre-Merger costs.....	4.4		
Valuation allowance.....	13.9	24.9	30.0
Items not related to current year earnings...	1.5	(33.4)	(13.7)
Other, net.....	.1	4.2	1.1
	-----	-----	-----
Provision for income taxes.....	\$ 19.1	\$ 86.9	\$ 84.2
	=====	=====	=====

&lt;/TABLE&gt;

"Items not related to current year earnings" in 1994 includes tax benefit from the favorable resolution of a federal tax refund suit.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities for the three months ended March 31, 1995, December 31, 1994 and 1993 were as follows:

<TABLE>  
<CAPTION>

	MARCH 31, 1995	DECEMBER 31, 1994
	-----	-----
<S>	<C>	<C>
U. S. deferred tax liabilities		
Properties and equipment.....	\$ 5.1	\$ 5.0
Other.....	.2	
	-----	-----
Deferred U. S. tax liabilities.....	5.3	5.0
	-----	-----
U. S. deferred tax assets		
Foreign deferred taxes.....	(69.9)	(69.7)
Book accruals.....	(34.4)	(35.1)
Loss carryforwards.....	(50.8)	(36.3)
Credit carryforwards.....	(23.2)	(23.2)
Other.....	(.6)	(.4)
	-----	-----
Gross deferred U. S. tax assets.....	(178.9)	(164.7)
	-----	-----
Valuation allowance.....	163.9	150.0
	-----	-----
Net deferred U. S. tax assets.....	(15.0)	(14.7)
	-----	-----
Net deferred U. S. taxes.....	(9.7)	(9.7)
	-----	-----
Foreign deferred tax liabilities		
Properties and equipment.....	199.7	199.4
	-----	-----
Net deferred foreign taxes.....	199.7	199.4
	-----	-----
Net deferred taxes.....	\$ 190.0	\$ 189.7
	=====	=====

&lt;/TABLE&gt;

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&lt;PAGE&gt; 59

## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The valuation allowance was \$92.6 million upon adoption of SFAS 109. The valuation allowance was increased \$23.4 million during 1994 and \$13.9 million during the first three months of 1995, primarily due to the increase in loss carryforwards.

Because the tax year of the Company did not close on March 31, 1995, tax carryovers are not measured at that date. At December 31, 1994, the Company had \$13.1 million of general business credit carryforwards that expire between 1996 and 2002; \$103.8 million of U.S. net operating loss carryforwards that expire in 2003, 2005 and 2008; and \$10.1 million of minimum tax credit that can be carried forward indefinitely.

As a result of the Merger, effective April 1, 1995, the Company's ability to utilize its existing net operating loss carryforwards will be limited by statute to approximately \$92.0 million each year until exhausted. To the extent certain gains are recognized in the future, the annual limitation may be increased to the extent that the gains are built-in gains within the meaning of the U.S. Internal Revenue Code.

There are accumulated undistributed earnings after applicable local taxes of foreign subsidiaries of \$6.4 million at March 31, 1995 for which no provision was necessary for foreign withholding or other income taxes because that amount had been reinvested in properties and equipment and working capital in the foreign jurisdictions.

Taxes other than income taxes were comprised of the following:

<TABLE>

<CAPTION>

	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, ----- 1994      1993 -----	
<S>	<C>	<C>	<C>
Gross production.....	\$1.2	\$ 6.5	\$ 8.0
Real and personal property.....	1.8	5.5	7.4
Other.....	.1	.9	.5
	-----	-----	-----
	\$3.1	\$12.9	\$15.9
	=====	=====	=====

</TABLE>

#### NOTE EIGHT--POSTEMPLOYMENT BENEFITS

##### Pensions

The components of net periodic pension expense are as follows:

<TABLE>

<CAPTION>

	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, ----- 1994      1993 -----	
<S>	<C>	<C>	<C>
Service cost for benefits earned during the period.....	\$ .5	\$ 2.9	\$ 2.1
Interest cost on projected benefit obligation.....	2.2	8.7	9.3
Actual return on plan assets.....	(4.5)	(2.5)	(10.4)
Net amortization and deferrals.....	2.5	(5.4)	.6
	-----	-----	-----
	\$ .7	\$ 3.7	\$ 1.6
	=====	=====	=====

</TABLE>

Due to an early retirement program offered to former employees, the Company recognized a settlement loss of \$1.7 million on one of its plans in 1994.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Plan assets are primarily invested in short-term investments and stocks and bonds. The principal assumptions used to estimate the benefit obligations of the plans on the measurement date, October 1, 1994 were as follows:

<TABLE>

<S>	<C>
Discount rate.....	8.5%
Expected long-term rate of return on plan assets.....	9.0%
Rate of increase in compensation levels.....	5.5%

</TABLE>

The funded status of the plans at March 31, 1995 and December 31, 1994 were as follows:

<TABLE>

<CAPTION>

PLANS WITH -----			
ACCUMULATED BENEFITS EXCEEDING	ASSETS EXCEEDING ACCUMULATED	ACCUMULATED BENEFITS EXCEEDING	ASSETS EXCEEDING ACCUMULATED

	ASSETS 3/31/95	BENEFITS 3/31/95	ASSETS 12/31/94	BENEFITS 12/31/94
<S>	<C>	<C>	<C>	<C>
Actuarial present value of:				
Vested benefit obligation.....	\$ 86.3	\$ 9.8	\$ 87.6	\$ 9.4
Accumulated benefit obligation....	\$ 90.6	\$11.9	\$ 91.9	\$11.5
Projected benefit obligation.....	\$ 91.4	\$15.0	\$ 92.7	\$14.6
Plan assets at fair value.....	76.2	14.5	78.0	14.2
Plan assets less than projected benefit obligation.....	\$ (15.2)	\$ (.5)	\$ (14.7)	(.4)
Unrecognized net loss.....	24.1	1.0	24.1	1.0
Unrecognized net transition obligation (asset).....	(3.8)	.1	(3.8)	.1
Unrecognized prior service cost.....	(.3)	(.9)	(.3)	(.9)
Adjustment required to recognize minimum liability.....	(18.3)		(18.3)	
Prepaid (accrued) pension cost.....	\$ (13.5)	\$ (.3)	\$ (13.0)	\$ (.2)

&lt;/TABLE&gt;

At March 31, 1995 and December 31, 1994, the Company's accumulated postretirement benefit obligation ("APBO") exceeded the plan assets. In accordance with Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," the Company recorded a minimum pension liability of \$19.2 million and a charge to equity of \$18.3 million at March 31, 1995 and December 31, 1994.

In addition to the defined benefit plans, the Company has a defined contribution plan which covers Indonesian nationals. Employee contributions of 2% of each covered employee's compensation are matched by the Company with a contribution of 6% of compensation by the Company. Contributions to the plan were \$.1 million in the first quarter of 1995 and \$.4 million in 1994.

#### Other Postretirement Benefits

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 106 ("SFAS 106"), "Employers' Accounting for Postretirement Benefits Other Than Pensions," for its retiree health and welfare benefits plan. Under SFAS 106, the Company is required to accrue the estimated cost of retiree benefit payments, other than pensions, during employees' active service period. The Company previously expensed the cost of these benefits, which are principally medical benefits, as claims were incurred. The Company currently administers several unfunded postretirement medical and life insurance plans covering primarily U. S. employees which are, depending on the type of plan, either contributory or noncontributory. Employees become eligible for these benefits if they meet minimum age and service

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

requirements. At January 1, 1993, the estimated APBO was \$46.1 million, which the Company elected to amortize over a 20-year period.

During 1994, the Company's postretirement medical and life insurance plans experienced a partial curtailment due to the Company's decision to reduce staff. The effect of the curtailment was a \$6.6 million charge to earnings in 1994, which was included as a component of the restructuring costs (See Note Four), primarily due to accelerated recognition of the transition obligation.

The components of net periodic postretirement benefit expense for the three months ended March 31, 1995 and for the years ended December 31, 1994 and 1993 are as follows:

<TABLE>  
<CAPTION>

THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, 1994	1993
-----	-----	-----

<S>	<C>	<C>	<C>
Service cost for benefits earned during the period.....	\$ .1	\$ .5	\$ .4
Interest cost on accumulated postretirement benefit obligation.....	.9	3.4	3.9
Amortization of transition obligation.....	.5	2.3	2.3
	-----	-----	-----
	\$1.5	\$6.2	\$6.6
	=====	=====	=====

&lt;/TABLE&gt;

The APBO as of March 31, 1995 was \$44.4 million. The amount recognized in the Company's statement of financial position at March 31, 1995 and December 31, 1994 is as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	MARCH 31, 1995	DECEMBER 31, 1994
	-----	-----
<S>	<C>	<C>
Retirees.....	\$ 39.0	\$ 39.0
Fully eligible active employees.....	1.8	1.8
Other active employees.....	3.6	3.6
	-----	-----
Total.....	44.4	44.4
Unrecognized transition obligation.....	(33.7)	(34.2)
Unrecognized net gain.....	2.1	2.0
	-----	-----
	\$ 12.8	\$ 12.2
	=====	=====

&lt;/TABLE&gt;

A discount rate of 8.5% was used in determining the APBO for the three months ended March 31, 1995 and the year ended December 31, 1994. The APBO was based on a 10.4% increase in the medical cost trend rate, with the rate trending downward .6% per year to 5% in 2003 and remaining at 5% thereafter. This assumption has a significant effect on annual expense, as it is estimated that a 1% increase in the medical trend rate would increase the APBO by \$4.2 million and increase the net periodic postretirement benefit cost by \$.4 million per year.

#### Other Postemployment Benefits

In 1993 the Company adopted, Statement of Financial Accounting Standards No. 112 ("SFAS 112"), "Employers' Accounting for Postemployment Benefits," to account for benefits provided after employment but before retirement. SFAS 112 requires an accrual method of recognizing the cost of providing postemployment benefits. Prior to 1993, postemployment benefit expenses were recognized as paid. The Company recognized the cumulative effect of the change in accounting for postemployment benefits in 1993, which resulted in a charge of \$4.4 million. This liability primarily represents medical benefits for long-term disability recipients. Future annual costs are expected to be immaterial. Net periodic postemployment benefit expense

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

was insignificant for the three months ended March 31, 1995 and for the years ended December 31, 1994 and 1993.

#### NOTE NINE--FINANCIAL INSTRUMENTS

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. Unless otherwise disclosed, the fair value of financial instruments approximates their recorded values.

#### Restricted Cash

The fair value of the Company's restricted cash, which is invested primarily in U. S. Treasury notes, marketable securities and trust accounts is based on the quoted market prices for the same or similar securities at the reporting date.

## Long-Term Investments

The fair value of the Company's long-term investments, which are primarily U. S. Treasury notes and long-term notes receivable, is based on the quoted market prices for the same or similar investments at the reporting date.

## Long-Term Debt

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

The estimated fair value of the Company's financial instruments are as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

		MARCH 31, 1995	
		CARRYING	FAIR
		AMOUNT	VALUE
		-----	-----
<S>	<C>	<C>	<C>
Assets			
	Restricted cash, including current and long-term		
	portion.....	\$128.4	\$125.6
	Long-term investments.....	41.5	36.7
Liabilities			
	Long-term debt, including current portion.....	975.6	862.4

&lt;/TABLE&gt;

&lt;TABLE&gt;

&lt;CAPTION&gt;

		DECEMBER 31, 1994	
		CARRYING	FAIR
		AMOUNT	VALUE
		-----	-----
<S>	<C>	<C>	<C>
Liabilities			
	Long-term debt, including current portion.....	\$975.6	\$857.8

&lt;/TABLE&gt;

For information on the Company's derivative financial instruments, see Note Seventeen.

## NOTE TEN--RECEIVABLES

&lt;TABLE&gt;

&lt;CAPTION&gt;

		MARCH 31,	DECEMBER 31,
		1995	1994
		-----	-----
<S>	<C>	<C>	<C>
	Trade receivables.....	\$ 97.0	\$110.8
	Notes and other receivables.....	32.0	42.3
	Less--Allowance for doubtful receivables.....	1.2	.7
		-----	-----
		\$ 127.8	\$152.4
		=====	=====

&lt;/TABLE&gt;

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

## NOTE ELEVEN--PROPERTIES AND EQUIPMENT

&lt;TABLE&gt;

&lt;CAPTION&gt;

		MARCH 31,	DECEMBER 31,
		1995	1994
		-----	-----
<S>	<C>	<C>	<C>
	Proved properties.....	\$2,445.5	\$2,397.7
	Unproved properties.....	31.7	29.1



Gas plants and other.....	220.0	219.1
	-----	-----
Total Oil and Gas.....	2,697.2	2,645.9
Corporate.....	51.5	53.5
	-----	-----
	2,748.7	2,699.4
Less--Accumulated depreciation, depletion and amortization.....	1,638.0	1,611.0
	-----	-----
	\$1,110.7	\$1,088.4
	=====	=====

&lt;/TABLE&gt;

The charge against earnings for depreciation, depletion and amortization of property and equipment was \$29.9 million for the three months ended March 31, 1995, and \$138.9 million and \$152.3 million for the years ended December 31, 1994 and 1993, respectively. The charge against earnings for maintenance and repairs was \$7.4 million for the three months ended March 31, 1995, and \$38.9 million and \$35.0 million for the years ended December 31, 1994 and 1993, respectively.

## NOTE TWELVE--INVESTMENTS AND LONG-TERM RECEIVABLES

&lt;TABLE&gt;

&lt;CAPTION&gt;

	MARCH 31, 1995	DECEMBER 31, 1994
	-----	-----
<S>	<C>	<C>
Investments, at cost, and long-term receivables.....	\$12.0	\$ 11.9
U. S. Treasury notes.....	29.5	28.3
	-----	-----
	\$41.5	\$ 40.2
	=====	=====

&lt;/TABLE&gt;

In September 1994, the Company sold its geothermal subsidiary, Thermal Power Company, which owned Union-Magma-Thermal Tax Partnership ("UMT") (See Note Five). The investment in UMT was carried on the equity method prior to the sale of Thermal Power Company. The following schedule presents certain summarized financial information of UMT:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	DECEMBER 31, 1994	DECEMBER 31, 1993
	-----	-----
<S>	<C>	<C>
Summarized Statement of Income:		
Sales.....	\$ 50.0	\$ 93.1
Gross profit.....	24.8	50.3
Net income.....	24.8	50.3

&lt;/TABLE&gt;

The Company's equity earnings are principally from UMT and were \$5.2 million in 1994 and \$10.2 million in 1993.

## NOTE THIRTEEN--RESTRICTED CASH

At March 31, 1995 and December 31, 1994, the Company had \$128.4 million and \$140.6 million, respectively, in restricted cash, of which \$64.0 million in 1995 and \$78.5 million in 1994 represented collateral for outstanding letters of credit. Assets held in trust as required by certain insurance policies were \$64.4 million in 1995 and \$62.1 million in 1994. Approximately \$48.5 million and \$46.4 million of collateral for outstanding letters of credit at March 31, 1995 and December 31, 1994, respectively, was classified as a current asset.

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

## NOTE FOURTEEN--INTANGIBLE ASSETS

Intangibles, primarily the excess of cost over fair market value of net assets acquired, were \$50.0 million at March 31, 1995 and December 31, 1994. Accumulated amortization at March 31, 1995 and December 31, 1994 was \$14.5

million and \$14.2 million, respectively. The charge against earnings for amortization of intangible assets was \$0.3 million for the three months ended March 31, 1995 and \$1.3 million for the years ended December 31, 1994 and 1993.

## NOTE FIFTEEN--ACCRUED LIABILITIES

&lt;TABLE&gt;

&lt;CAPTION&gt;

	MARCH 31, 1995	DECEMBER 31, 1994
	-----	-----
<S>	<C>	<C>
Accrued interest payable.....	\$ 34.8	\$ 23.3
Joint interest billings for international operations...	32.3	25.9
Merger reserve.....	41.0	
Environmental reserve.....	14.9	14.9
Overlift payable.....	12.2	9.1
Postretirement and postemployment benefits.....	4.5	4.5
Accrued compensation, benefits and withholdings.....	5.0	6.4
Other.....	25.1	17.1
	-----	-----
	\$ 169.8	\$101.2
	=====	=====

&lt;/TABLE&gt;

## NOTE SIXTEEN--LONG-TERM DEBT AND CREDIT ARRANGEMENTS

&lt;TABLE&gt;

&lt;CAPTION&gt;

	MARCH 31, 1995	DECEMBER 31, 1994
	-----	-----
<S>	<C>	<C>
Senior Indebtedness		
Sinking Fund Debentures		
11 1/4% due 2013.....	\$ 16.9	\$ 16.9
11 1/2% due 2001-2015.....	109.0	109.0
8 1/2% due 1998-2008.....	93.4	93.4
Notes		
9 7/8% due 2002.....	247.3	247.3
9 1/2% due 2003.....	99.5	99.5
9 3/8% due 2003.....	260.0	260.0
Medium-term notes.....	149.3	149.3
Bank and other loans.....	.2	.2
	-----	-----
Total senior indebtedness.....	975.6	975.6
Less--current portion.....	4.7	4.7
	-----	-----
	\$ 970.9	\$970.9
	=====	=====

&lt;/TABLE&gt;

The aggregate maturities of long-term debt outstanding at March 31, 1995, for the next five years will be as follows:

&lt;TABLE&gt;

<S>	<C>
April 1, 1995--March 31, 1996.....	\$ 4.7
April 1, 1996--March 31, 1997.....	34.3
April 1, 1997--March 31, 1998.....	14.2
April 1, 1998--March 31, 1999.....	20.5
April 1, 1999--March 31, 2000.....	8.5

&lt;/TABLE&gt;

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

At March 31, 1995 and December 31, 1994, the Company had \$149.3 million of medium-term notes outstanding, which were issued in prior years, with maturities from 1995 to 2004 and annual interest rates ranging from 7.57% to 11.08%.

The Company maintains a \$25.0 million uncommitted credit facility (the "credit facility") which is used for the issuance of documentary or standby letters of credit and/or the payment of shipping documents. The credit facility can be secured by cash or the accounts receivable which are financed through the

letters of credit. At March 31, 1995, there were \$24.5 million of cash collateralized letters of credit outstanding under this credit facility.

Total interest and debt expenses incurred, including capitalized interest, were as follows:

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, ----- 1994      1993 ----- -----	
<S>	<C>	<C>	<C>
Interest and debt expenses.....	\$ 24.1	\$96.7	\$88.4
Capitalized interest.....	.1	3.2	7.5
	-----	-----	-----
	\$ 24.2	\$99.9	\$95.9
	=====	=====	=====

</TABLE>

#### NOTE SEVENTEEN--DERIVATIVE FINANCIAL INSTRUMENTS

The Company's only derivative financial instruments are an interest rate swap agreement with an investment broker, natural gas price swap agreements and crude oil and natural gas futures contracts, which are not used for trading purposes.

##### Interest Rate Swap Agreement

Effective January 27, 1993, the Company entered into an interest rate swap agreement under which it pays the counterparty interest at a variable rate based on the London Interbank Offering Rate (LIBOR) and the counterparty pays the Company interest at 6.73% on the notional principal of \$100.0 million. This agreement is effective through January 27, 2003. The Company is not required to collateralize its obligation under this agreement unless it is in an unfavorable position. At December 31, 1993, the Company had borrowings of \$5.8 million against its then favorable position in this interest rate swap agreement. Due to higher interest rates in 1994, the Company's position in the interest rate swap became unfavorable. As a result, the Company was required to collateralize \$7.9 million, which was recorded in deferred charges at December 31, 1994. As interest rates declined during the first three months of 1995, the Company reduced its collateralized position by \$3.4 million, leaving a balance of \$4.5 million recorded in deferred charges at March 31, 1995.

##### Natural Gas Price Swap Agreements

Under the price swap agreements used to hedge fluctuations in the price of natural gas, the Company receives or makes payments based on the differential between the Company's specified price and the counterparty's specified price of natural gas. Depending on the agreement, the Company pays a fixed or variable price per million British Thermal Units ("Mmbtu") and receives a fixed or variable price per Mmbtu. During the three months ended March 31, 1995, the Company had swap agreements with other companies to exchange payments on 0.8 million Mmbtu of gas. Under these swap agreements, the Company paid fixed or variable prices averaging \$1.61 per Mmbtu and received fixed or variable prices averaging \$1.58 per Mmbtu. Gross gains and gross losses realized on these swap agreements were immaterial.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

##### Natural Gas and Crude Oil Futures Contracts

Under the natural gas futures contracts used to hedge fluctuations in the price of natural gas, the Company receives or makes payments based on the differential between the selling price and the settlement price per Mmbtu. During the three months ended March 31, 1995, the Company settled futures contracts with other companies on 1.2 million Mmbtu of gas. Under these futures contracts, the Company received selling prices averaging \$1.65 per Mmbtu and paid settlement prices averaging \$1.46 per Mmbtu. Realized gross gains on these futures contracts were \$0.2 million.

Under the crude oil futures contracts used to hedge fluctuations in the price of crude oil, the Company receives or makes payments based on the

differential between the selling price and the settlement price per barrel. During the three-month period ended March 31, 1995, crude oil volumes hedged under these futures contracts were insignificant as were gross unrealized gains and losses.

#### NOTE EIGHTEEN--PREFERRED STOCK

The Company has the authority to issue 100,000,000 shares of Preferred Stock, \$1.00 par value. The rights and preferences of shares of authorized but unissued Preferred Stock are established by the Company's Board of Directors at the time of issuance.

##### \$9.75 Cumulative Convertible Preferred Stock

In 1987, the Company sold 3,000,000 shares of \$9.75 Cumulative Convertible Preferred Stock (the "\$9.75 Preferred Stock"). Since such time, the Company has entered into various agreements, most recently on June 8, 1995, with the sole holder of the \$9.75 Preferred Stock pursuant to which, among other things, the Company has repurchased 500,000 shares and the parties have waived or amended various covenants, agreements and restrictions relating to such stock. Currently, 1,250,000 shares of \$9.75 Preferred Stock are outstanding, each receiving an annual cash dividend of \$9.75. In addition, 375,000 of such shares (the "Conversion Waiver Shares") each receive an additional quarterly cash payment of \$.25 (\$.50 in certain circumstances). For the 12-month period commencing February 1, 1995, each share of the \$9.75 Preferred Stock has a liquidation value of \$101.0836 (\$126.4 million in the aggregate) which reduces to \$100 at February 1, 1996, in each case plus accrued dividends. Since February 1, 1994, the stock has been subject to mandatory redemption at the rate of 625,000 shares per year. The \$9.75 Preferred Stock currently is neither convertible by the holder nor redeemable at the Company's option and has no associated registration rights. The \$9.75 Preferred Stock entitles the holder to vote only on certain matters separately affecting such holder, and the \$9.75 Preferred Stock other than the Conversion Waiver Shares entitles the holder to elect one individual to the Board of Directors of the Company. In addition, pursuant to the June 8, 1995 agreement, the holder of the \$9.75 Preferred Stock waived previously granted rights to approve certain "self-dealing" transactions and certain financial covenants pertaining to the Company, and the Company waived its right of first offer with respect to the transfer of the \$9.75 Preferred Stock and certain transfer restrictions on such stock.

##### \$4.00 Cumulative Convertible Preferred Stock

Each outstanding share of \$4.00 Cumulative Convertible Preferred Stock (the "\$4.00 Preferred Stock") is entitled to one vote, is convertible at any time into shares of the Company's Common Stock (2.29751 shares at March 31, 1995), is entitled to receive annual cash dividends of \$4.00 per share, is callable at and has a liquidation value of \$50.00 per share (\$217.8 million in the aggregate at March 31, 1995) plus accrued but unpaid dividends, if any.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

##### \$2.50 Cumulative Preferred Stock

Each outstanding share of the \$2.50 Preferred is entitled to shall receive annual cash dividends of \$2.50 per share, is callable after December 1, 1998 at and has a liquidation value of \$25.00 per share (\$87.5 million in the aggregate at March 31, 1995) plus accrued but unpaid dividends, if any.

The holders of the shares are entitled to limited voting rights under certain conditions. In the event the Company is in arrears in the payment of six quarterly dividends, the holders of the \$2.50 Preferred Stock have the right to elect two members to the Board of Directors until such time as the dividends in arrears are current and a provision is made for the current dividends due.

#### NOTE NINETEEN--COMMON STOCK

<TABLE>

<CAPTION>

	SHARES	AMOUNT
	-----	-----
<S>	<C>	<C>
January 1, 1993.....	133,567,300	\$133.6
Employee Shareholding and Investment Plan.....	475,852	.5
Restricted stock.....	312,690	.3

Exercise of stock options.....	17,683	
Fractional shares exchanged for cash.....	(2)	
January 1, 1994.....	134,373,523	134.4
Employee Shareholding and Investment Plan.....	830,798	.8
Restricted stock.....	490,430	.5
Exercise of stock options.....		
Fractional shares exchanged for cash.....	(29)	
January 1, 1995.....	135,694,722	135.7
Employee Shareholding and Investment Plan.....	199,274	.2
Conversion of \$4.00 Preferred Stock.....	5,588	
Fractional shares exchanged for cash.....	(1,685)	
March 31, 1995.....	135,897,899	\$135.9
	=====	=====

&lt;/TABLE&gt;

On July 30, 1991, the Company's Dividend Reinvestment and Stock Purchase Plan (the "Plan") became effective. The Plan allowed holders of Common Stock to purchase additional shares at a 3% discount from the current market prices without paying brokerage commissions or other charges. In addition, if the Company paid a dividend on its Common Stock in the future, common stockholders could reinvest the amount of those dividends in additional shares also at a 3% discount from the current market prices. In November 1992, the Company effectively suspended the Plan by raising the threshold price.

At March 31, 1995 and December 31, 1994, respectively, there were 32.4 million and 35.8 million shares of Common Stock reserved for issuance upon conversion of Preferred Stock, exercises of stock options or issuance under certain employee benefit plans.

In 1992, Kidder, Peabody & Co. Incorporated purchased eight million warrants from the Company. Each warrant represents the right to purchase one share of the Company's Common Stock at \$13.00 per share at any time prior to the expiration of the warrants on October 10, 1997.

The Company has an Employee Shareholding and Investment Plan ("ESIP") which allows eligible participating employees to contribute a certain percentage of their salaries (1%-10%) to a trust for investment in any of six funds, one of which consists of the Company's Common Stock. The Company matches the participating employee's contribution to the ESIP (up to 6% of base pay); such matching contribution is charged against earnings and invested in the ESIP fund which consists of the Company's Common Stock. The charge against earnings for the Company's contribution to the ESIP was \$0.6 million, \$2.8 million and

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)

\$2.6 million at March 31, 1995, December 31, 1994, and December 31, 1993, respectively. Subsequent to the Merger, contributions can no longer be invested in the Company's Common Stock.

In 1988, the Company adopted a Preferred Share Purchase Rights Plan. The plan issued one right for each share of Common Stock and 7.92 rights for each share of \$9.75 Cumulative Convertible Preferred Stock outstanding as of the close of business on September 12, 1988. The rights, which entitle the holder to purchase from the Company one one-hundredth of a share of a new series of junior preferred stock at \$23.00 per share, become exercisable if a person becomes the beneficial owner of 20% or more of the Company's Common Stock or of an amount that the Board of Directors determines is intended to cause the Company to take certain actions not in the best long-term interests of the Company and its stockholders. The rights also become exercisable if a person makes a tender offer or exchange offer for 30% or more of the Company's outstanding Common Stock. The rights may be redeemed at \$.10 per right under certain circumstances. In the Merger Agreement, the Company agreed to redeem the rights. On February 23, 1995, the Board of Directors of the Company took action to redeem the rights, effective as of March 22, 1995. Holders of Common Stock on the close of business on that date received the redemption price of \$0.10 per right. Under a separate agreement with the sole holder of the \$9.75 Preferred Stock, such holder waived its right to receive the redemption price with respect to the rights associated with the \$9.75 Preferred Stock, subject to consummation of the Merger.

NOTE TWENTY--PAID-IN CAPITAL AND ACCUMULATED DEFICIT

<TABLE>  
<CAPTION>

	PAID-IN CAPITAL	ACCUMULATED DEFICIT
	-----	-----
<S>	<C>	<C>
January 1, 1993.....	\$ 980.1	\$ (944.3)
Net loss.....		(49.4)
Dividends on Preferred Stock.....	(41.7)	
Issuance of \$4.00 Preferred Stock.....	1.1	
Issuance of \$2.50 Preferred Stock.....	81.1	
Employee Shareholding and Investment Plan.....	3.1	
Restricted stock.....	2.5	
	-----	-----
January 1, 1994.....	1,026.2	(993.7)
Net loss.....		(22.7)
Dividends on Preferred Stock.....	(43.6)	
Employee Shareholding and Investment Plan.....	3.1	
Restricted stock.....	2.4	
	-----	-----
January 1, 1995.....	988.1	(1,016.4)
Net loss.....		(56.9)
Dividends on Preferred Stock.....	(9.6)	
Stock rights redemption.....	(13.6)	
Restricted stock.....	.6	
Employee Shareholding and Investment Plan.....	.7	
	-----	-----
March 31, 1995.....	\$ 966.2	\$ (1,073.3)
	=====	=====

</TABLE>

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# MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

### NOTE TWENTY-ONE--UNREALIZED LOSS ON INVESTMENT IN MARKETABLE SECURITIES

The amortized cost and estimated fair value of marketable securities at March 31, 1995 are as follows:

<TABLE>  
<CAPTION>

	MARCH 31, 1995		
	AMORTIZED COST	GROSS UNREALIZED LOSS	MARKET VALUE
	-----	-----	-----
<S>	<C>	<C>	<C>
Held-to-maturity:			
Corporate and other debt securities.....	\$ 280.0	\$2.8	\$277.2
Held-for-sale:			
Corporate and other debt securities.....	30.7	1.3	29.4

</TABLE>

At March 31, 1995, securities categorized as held-to-maturity are included in cash equivalents, short-term investments and short- and long-term restricted cash. The securities held-for-sale consist of U. S. Treasury notes which mature in August, 2002 and are classified as long-term investments (See Note Twelve).

The amortized cost and estimated fair value of marketable securities at December 31, 1994 are as follows:

<TABLE>  
<CAPTION>

	DECEMBER 31, 1994		
	AMORTIZED COST	GROSS UNREALIZED LOSS	MARKET VALUE
	-----	-----	-----
<S>	<C>	<C>	<C>
Held-to-maturity:			
Corporate and other debt securities.....	\$ 139.4		\$139.4
Held-for-sale:			

Corporate and other debt securities..... 30.7 \$2.4 28.3

</TABLE>

At December 31, 1994, securities categorized as held-to-maturity with maturities of 90 days or less are classified as cash equivalents and those with maturities greater than ninety days are classified as short-term investments. The securities held-for-sale consist of U. S. Treasury notes which mature in August, 2002 and are classified as long-term investments (See Note Twelve).

#### NOTE TWENTY-TWO--COMMON TREASURY STOCK

<TABLE>

<CAPTION>

	SHARES	AMOUNT
	-----	-----
<S>	<C>	<C>
January 1, 1993.....	(135,751)	\$(2.1)
Restricted Stock.....	(38,212)	(.4)
	-----	-----
January 1, 1994.....	(173,963)	(2.5)
Restricted Stock.....	(122,032)	(1.0)
	-----	-----
January 1, 1995.....	(295,995)	(3.5)
Restricted Stock.....	(14,540)	(.1)
	-----	-----
March 31, 1995.....	(310,535)	\$(3.6)
	=====	=====

</TABLE>

#### NOTE TWENTY-THREE--STOCK OPTIONS

Two plans, a Long-Term Incentive Plan and a Director Stock Option Plan, were approved by the stockholders in 1992. The Company's 1986 and 1992 Long-Term Incentive Plans (the "Incentive Plans"), administered by the Compensation Committee of the Board of Directors, permit the grant to officers and certain key employees of stock options, stock appreciation rights ("SARs"), performance units and awards of Common Stock or other securities of the Company on terms and conditions determined by the Compensation Committee of the Board of Directors.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The Director Stock Option Plan became effective on September 1, 1992. Under this plan, non-employee directors received options to purchase shares of Common Stock on the effective date of the plan. Thereafter, upon initial election or re-election of a non-employee director at an annual meeting, the non-employee directors automatically receive options to purchase shares of Common Stock. The plan terminated on June 7, 1995.

The grant or exercise of an option does not result in a charge against the Company's earnings because all options have been granted at exercise prices approximating the market value of the stock at the date of grant. However, any excess of Common Stock market price over the option price of options, which includes SARs, does result in a charge against the Company's earnings; a subsequent decline in market price results in a credit to earnings, but only to a maximum of the earnings charges incurred in prior years on SARs.

Stock option activity was as follows:

<TABLE>

<CAPTION>

	MARCH 31,	DECEMBER 31,	
	1995	1994	1993
	-----	-----	-----
<S>	<C>	<C>	<C>
Outstanding at January 1.....	2,268,068	1,694,445	1,855,695
Granted.....		758,000	20,000
Exercised.....			(17,683)
Cancelled.....	(77,495)	(184,377)	(163,567)
	-----	-----	-----
Outstanding at end of period.....	2,190,573	2,268,068	1,694,445
Grant price.....		\$5.00-\$8.625	\$8.625
Exercise price.....			\$6.625-\$8.506
Available for future grants at end			

of period.....	2,496,936	2,419,441	3,492,787
Restricted stock held for vesting at end of period.....	936,066	951,410	874,602
Performance units held for vesting at end of period.....	653,355	653,355	653,355

&lt;/TABLE&gt;

Exercise prices of stock options outstanding at March 31, 1995 ranged from \$5.00 to \$13.75 per share. There was a credit to earnings for SARs in 1993 of \$.1 million. There was no earnings activity related to SARs in 1994 or for the period ended March 31, 1995. Effective upon the Merger, all stock options and restricted stock outstanding under Company-sponsored incentive plans were surrendered to the Company.

Under the 1986 Long-Term Incentive Plan, the Company granted Restricted Stock. The amount of the grant price is amortized over the vesting period of the grant as a charge against earnings. The charge against earnings was \$0.5 million for the period ended March 31, 1995, \$1.4 million in 1994 and \$2.4 million in 1993.

In 1993, the Company issued performance units under the Long-Term Incentive Plan. The performance unit entitles the grantee to the value of a share of Common Stock contingent upon the performance of the Company compared to a selected group of peer companies. The value of the performance unit is amortized over the vesting period based on a weighted probability of expected payout levels. The charge against earnings was \$0.6 million in 1993. There was no earnings activity related to performance units in 1994. For the period ended March 31, 1995, there was a credit to earnings of \$0.6 million.

Effective upon the Merger, all stock options and restricted stock outstanding under Company-sponsored incentive plans were surrendered to the Company. In March 1995, the Company recorded a \$9.9 million charge to earnings to record the estimated cost to redeem all outstanding options and restricted stock. This charge was included in pre-Merger costs in the Company's consolidated statement of operations (See Note Three).

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

## NOTE TWENTY-FOUR--LEASES

The Company leases certain machinery and equipment, facilities and office space under cancelable and noncancelable operating leases, most of which expire within 20 years and may be renewed.

Minimum annual rentals for non-cancelable operating leases at March 31, 1995, were as follows:

&lt;TABLE&gt;

<S>	<C>
March 31, 1996.....	\$ 34.4
March 31, 1997.....	19.4
March 31, 1998.....	15.7
March 31, 1999.....	9.0
March 31, 2000.....	8.2
March 31, 2001 and thereafter.....	34.0
	-----
	\$120.7
	=====

&lt;/TABLE&gt;

Minimum annual rentals have not been reduced by minimum sublease rentals of \$38.7 million due in the future under noncancelable subleases.

Rental expense for operating leases was as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

THREE MONTHS ENDED	YEAR ENDED DECEMBER 31,	
MARCH 31,	-----	
1995	1994	1993
-----	-----	-----



<S>	<C>	<C>	<C>
Total rentals.....	\$ 14.0	\$60.1	\$67.7
Less--Sublease rental income.....	.9	2.9	3.4
	-----	-----	-----
Rental expense.....	\$ 13.1	\$57.2	\$64.3
	=====	=====	=====

&lt;/TABLE&gt;

## NOTE TWENTY-FIVE--COMMITMENTS AND CONTINGENCIES

Like other energy companies, Maxus' operations are subject to various laws related to the handling and disposal of hazardous substances which require the cleanup of deposits and spills. Compliance with the laws and protection of the environment worldwide is of the highest priority to Maxus management. In the first quarter of 1995, the Company spent \$1.4 million in environmental related expenditures for its oil and gas operations.

In addition, the Company is implementing certain environmental projects related to its former chemicals business ("Chemicals") sold to an affiliate of Occidental Petroleum Corporation (collectively, "Occidental") in 1986 and certain other disposed of businesses. The environmental projects discussed below relating to Chemicals' business are being conducted on behalf of Occidental pursuant to the sale agreement.

The Company has agreed to remediate the site of the former agricultural chemical plant in Newark, New Jersey as required by a consent decree entered into in 1990 by Occidental, the United States Environmental Protection Agency (the "EPA") and the New Jersey Department of Environmental Protection and Energy (the "DEP"). Pursuant to an agreement with the EPA, the Company is conducting further testing and studies to characterize contaminated sediment in a portion of the Passaic River near the plant site. The Company has been conducting similar studies under its own auspices for several years.

Under an Administrative Consent Order issued by the DEP in 1990, covering sites primarily in Kearny and Secaucus, New Jersey, the Company will continue to implement interim remedial measures and to perform remedial investigations and feasibility studies and, if necessary, will implement additional remedial actions at various locations where chromite ore residue, allegedly from the former Kearny plant, was utilized, as well as at the plant site.

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Until 1976, Chemicals operated manufacturing facilities in Painesville, Ohio. The Company has heretofore conducted many remedial, maintenance and monitoring activities at this site. The former Painesville plant area has been proposed for listing on the national priority list of Superfund sites. The scope and nature of further investigation or remediation which may be required cannot be determined at this time.

The Company also has responsibility for Chemicals' share of the remediation cost for a number of other non-plant sites where wastes from plant operations by Chemicals were allegedly disposed of or have come to be located, including several commercial waste disposal sites.

At the time of the spin-off by the Company of Diamond Shamrock, Inc. ("DSI") in 1987, the Company executed a cost-sharing agreement for the partial reimbursement by DSI of environmental expenses related to the Company's disposed of businesses, including Chemicals. DSI is expected to reach its total reimbursement obligation in 1996.

The Company's total expenditures for environmental compliance for disposed of businesses, including Chemicals, were \$7.9 million in the first quarter of 1995, \$2.6 million of which was recovered from DSI under the cost-sharing agreement.

Reserves have been established for environmental liabilities where they are material and probable and can be reasonably estimated. At March 31, 1995 and December 31, 1994, reserves for the above environmental contingencies totaled \$84.7 million and \$87.1 million, respectively. During 1994, the Company increased its reserve for future environmental liabilities by \$60.5 million, primarily in response to the EPA's proposal of chromium clean-up standards and for additional costs expected to be incurred at Chemicals' former Newark, New Jersey plant site.

The Company enters into various operating agreements and capital commitments associated with the exploration and development of its oil and gas properties. Such contractual financial and/or performance commitments are not material.

The Company's foreign petroleum exploration, development and production activities are subject to political and economic uncertainties, expropriation of property and cancellation or modification of contract rights, foreign exchange restrictions and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted, as well as risks of loss in some countries due to civil strife, guerrilla activities and insurrection. Areas in which the Company has significant operations include the United States, Indonesia, Ecuador, Bolivia and Venezuela.

The Company has begun discussions with various government entities in Ecuador regarding a number of issues related to Block 16 and the Tivacuno area, including the Company's cost recovery claims, the approval of budgets, contract terms and other operating matters. The Company believes these matters will be satisfactorily resolved.

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## REPORT OF MANAGEMENT

To the Stockholders of Maxus Energy Corporation

The Consolidated Financial Statements have been prepared in conformity with generally accepted accounting principles and have been audited by Arthur Andersen LLP, independent accountants, for the three months ended March 31, 1995 and the nine months ended December 31, 1995 and have been audited by Price Waterhouse LLP, independent accountants, for the two years in the period ended December 31, 1994.

In meeting its responsibility for the reliability of the Consolidated Financial Statements, the Company depends on its accounting and control systems. These systems are designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use and that transactions are executed in accordance with the Company's authorizations and are recorded properly. The Company believes that its accounting and control systems provide reasonable assurance that errors or irregularities that could be material to the Consolidated Financial Statements are prevented or would be detected within a timely period. The Company also requires that all officers and other employees adhere to a written business conduct policy.

The independent accountants provide an objective review as to the Company's reported operating results and financial position. The Company also has an active operations auditing program which monitors the functioning of the Company's accounting and control systems and provides additional assurance that the Company's operations are conducted in a manner which is consistent with applicable laws.

The Board of Directors pursues its oversight role for the Consolidated Financial Statements through the Audit Review Committee which is composed solely of directors who are not employees of the Company. The Audit Review Committee meets with the Company's financial management and operations auditors periodically to review the work of each and to monitor the discharge of their responsibilities. The Audit Review Committee also meets periodically with the Company's independent accountants without representatives of the Company present, to discuss accounting, control, auditing and financial reporting matters.

/s/ W. MARK MILLER  
W. Mark Miller  
Executive Vice President and  
Treasurer  
(Principal Financial Officer)

/s/ LINDA R. ENGELBRECHT  
Linda R. Engelbrecht  
Controller  
(Principal Accounting Officer)

Dallas, Texas  
February 2, 1996

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## REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of  
Maxus Energy Corporation

We have audited the accompanying consolidated balance sheets of Maxus Energy Corporation (a Delaware corporation) and subsidiaries as of March 31, 1995 and December 31, 1995, and the related consolidated statements of operations and cash flows for the three months ended March 31, 1995 and the nine months ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Maxus Energy Corporation and its subsidiaries as of March 31, 1995 and December 31, 1995, and the results of its operations and its cash flows for the three months ended March 31, 1995 and the nine months ended December 31, 1995, in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP  
ARTHUR ANDERSEN LLP

Dallas, Texas  
February 2, 1996

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&lt;PAGE&gt; 75

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of  
Maxus Energy Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations and of cash flows present fairly, in all material respects, the financial position of Maxus Energy Corporation and its subsidiaries at December 31, 1994 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Notes 1, 7 and 8 to the Consolidated Financial Statements, the Company changed its methods of accounting for income taxes, postretirement benefits and postemployment benefits in 1993.

/s/ PRICE WATERHOUSE LLP  
PRICE WATERHOUSE LLP

Dallas, Texas  
February 28, 1995

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## FINANCIAL SUPPLEMENTARY INFORMATION (Unaudited)

(DATA IS AS OF DECEMBER 31 FOR THE YEARS ENDED 1993 AND 1994 AND AS OF MARCH 31  
FOR THE FIRST QUARTER  
THEN ENDED 1995. THE DOLLAR AMOUNTS IN TABLES ARE IN MILLIONS, EXCEPT PER SHARE)

## OIL AND GAS PRODUCING ACTIVITIES

The following are disclosures about the oil and gas producing activities of the Company as required by Statement of Financial Accounting Standards No. 69 ("SFAS 69").

## Results of Operations

Results of operations from all oil and gas producing activities are shown below. These results exclude revenues and expenses related to the purchase of natural gas and the subsequent processing and resale of such natural gas plus the sale of natural gas liquids extracted therefrom.

&lt;TABLE&gt;

&lt;CAPTION&gt;

	UNITED STATES			INDONESIA		
	MARCH 31, 1995	1994 (B)	1993 (B)	MARCH 31, 1995	1994	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales.....	\$22.7	\$ 132.3	\$202.0	\$93.1	\$381.2	\$405.9
Production costs.....	7.4	35.0	52.1	39.7	151.5	157.5
Exploration costs.....	3.7	12.2	17.6	2.7	13.8	16.5
Depreciation, depletion and amortization.....	7.0	45.3	77.9	16.9	75.6	63.0
(Gain) loss on sale of assets.....	(.1)	(201.8)	3.0			
Other.....	2.9(a)	10.8(a)	19.0 (a)	(3.0)	1.8	(.2)
	20.9	(98.5)	169.6	56.3	242.7	236.8
Income (loss) before tax provision.....	1.8	230.8	32.4	36.8	138.5	169.1
Provision (benefit) for income taxes.....		4.6	.6	18.7	74.4	86.7
Results of operations.....	\$ 1.8	\$226.2	\$ 31.8	\$18.1	\$ 64.1	\$ 82.4

&lt;/TABLE&gt;

&lt;TABLE&gt;

&lt;CAPTION&gt;

	SOUTH AMERICA			OTHER FOREIGN			WORLDWIDE		
	MARCH 31, 1995	1994	1993	MARCH 31, 1995	1994	1993	MARCH 31, 1995	1994 (B)	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Sales.....	\$ 7.8	\$24.0					\$ 123.6	\$ 537.5	\$ 6
Production costs.....	6.8	17.8	1.7				53.9	204.3	2
Exploration costs.....	.4	2.4	10.5	\$ 2.2	\$ 7.2	\$ 15.2	9.0	35.6	
Depreciation, depletion and amortization.....	3.9	7.5	.6	.4	2.7	1.7	28.2	131.1	1
(Gain) loss on sale of assets.....		.2		(1.1)			(1.2)	(201.6)	
Other.....	.4	(1.4)	.2		(.3)	(.1)	.3	10.9	
	11.5	26.5	13.0	1.5	9.6	16.8	90.2	180.3	4
Income (loss) before tax provision.....	(3.7)	(2.5)	(13.0)	(1.5)	(9.6)	(16.8)	33.4	357.2	1
Provision (benefit) for income taxes.....	.5	5.2	(.3)		(.2)	(.3)	19.2	84.0	
Results of operations.....	\$ (4.2)	\$ (7.7)	\$ (12.7)	\$ (1.5)	\$ (9.4)	\$ (16.5)	\$ 14.2	\$ 273.2	\$

&lt;/TABLE&gt;

(a) Includes United States gathering and processing costs related to sales. Such costs were \$3.1 million, \$11.8 million and \$15.1 million for March 31, 1995, December 31, 1994 and 1993, respectively.

(b) Production costs, Exploration costs and Other have been restated for the years ended December 31, 1994 and 1993 to be consistent with current period presentation.

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## Capitalized Costs

Included in properties and equipment are capitalized amounts applicable to the Company's oil and gas producing activities. Such capitalized amounts include the cost of mineral interests in properties, completed and incomplete wells and related support equipment as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	UNITED STATES			INDONESIA		
	MARCH 31, 1995	1994	1993	MARCH 31, 1995	1994	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Proved properties.....	605.4	584.0	1,214.6	1,588.1	1,572.9	1,514.3
Unproved properties.....	10.7	7.8	51.2	.7	.7	.8
	616.1	591.8	1,265.8	1,588.8	1,573.6	1,515.1
Less-Accumulated depreciation, depletion and amortization.....	422.6	416.8	931.9	1,060.6	1,043.7	968.1
	\$ 193.5	\$175.0	\$ 333.9	\$ 528.2	\$ 529.9	\$ 547.0
	=====	=====	=====	=====	=====	=====

&lt;/TABLE&gt;

&lt;TABLE&gt;

&lt;CAPTION&gt;

	SOUTH AMERICA			OTHER FOREIGN			WORLDWIDE		
	MARCH 31, 1995	1994	1993	MARCH 31, 1995	1994	1993	MARCH 31, 1995	1994	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<
Proved properties.....	\$ 252.1	\$240.8	\$ 173.2				\$2,445.6	\$2,397.7	\$
Unproved properties.....	15.2	15.2	14.9	\$ 5.0	\$ 5.4	\$ 5.4	31.6	29.1	
	267.3	256.0	188.1	5.0	5.4	5.4	2,477.2	2,426.8	2
Less-Accumulated depreciation, depletion and amortization.....	12.3	8.5	1.0	4.2	4.0	2.6	1,499.7	1,473.0	1
	\$ 255.0	\$247.5	\$ 187.1	\$ .8	\$ 1.4	\$ 2.8	\$ 977.5	\$ 953.8	\$
	=====	=====	=====	=====	=====	=====	=====	=====	=

&lt;/TABLE&gt;

## Costs Incurred

Costs incurred by the Company in its oil and gas producing activities (whether capitalized or charged against earnings) were as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	UNITED STATES			INDONESIA		
	MARCH 31, 1995	1994 (A)	1993 (A)	MARCH 31, 1995	1994	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Property acquisition costs.....	\$13.6	\$ 2.4	\$ 13.5			
Exploration costs.....	7.0	12.8	25.6	\$ 7.0	\$13.8	\$ 16.4
Development costs.....	8.2	20.9	35.6	10.9	58.7	120.8
	\$28.8	\$36.1	\$ 74.7	\$17.9	\$72.5	\$137.2
	=====	=====	=====	=====	=====	=====

&lt;/TABLE&gt;

&lt;TABLE&gt;

&lt;CAPTION&gt;

	SOUTH AMERICA			OTHER FOREIGN			WORLDWIDE		
	MARCH 31, 1995	1994	1993	MARCH 31, 1995	1994	1993	MARCH 31, 1995	1994 (A)	1
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<
Property acquisition costs.....						\$ .5	\$13.6	\$ 2.4	\$
Exploration costs.....	\$ .4	\$ 3.4	\$ 25.3	\$ 2.2	\$ 7.4	15.5	16.6	37.4	-
Development costs.....	11.3	77.7	123.6				30.4	157.3	-
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	\$11.7	\$81.1	\$148.9	\$ 2.2	\$ 7.4	\$ 16.0	\$60.6	\$197.1	\$
	=====	=====	=====	=====	=====	=====	=====	=====	=====

&lt;/TABLE&gt;

- - - - -

(a) Exploration costs have been restated for the years ended December 31, 1994 and 1993 to be consistent with current period presentation.

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## Oil and Gas Reserves

The following table represents the Company's net interest in estimated quantities of developed and undeveloped reserves of crude oil, condensate, natural gas liquids and natural gas and changes in such quantities at quarter-end March 31, 1995 and at year-end 1994 and 1993. Net proved reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are proved reserve volumes that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are proved reserve volumes that are expected to be recovered from new wells on undrilled acreage or from existing wells where a significant expenditure is required for recompletion.

Estimates of reserves were prepared by the Company using standard geological and engineering methods generally accepted by the petroleum industry and in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). The choice of method or combination of methods employed in the analysis of each reservoir was determined by experience in the area, stage of development, quality and completeness of basic data, and production history. There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures, including many factors beyond the control of the producer. Reserve engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates of different engineers often vary. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revision of such estimate. Accordingly, reserve estimates are often different from the quantities of crude oil and natural gas that are ultimately recovered. The meaningfulness of such estimates is highly dependent upon the accuracy of the assumption upon which they were based. The reserve estimates were subjected to economic tests to determine economic limits. The estimates may change as a result of numerous factors including, but not limited to, additional development activity, evolving production history, and continued reassessment of the viability of production under varying economic conditions.

&lt;TABLE&gt;

&lt;CAPTION&gt;

	MARCH 31, 1995 (D)				1994			
CRUDE OIL	UNITED STATES	INDONESIA	SOUTH AMERICA	TOTAL	UNITED STATES	INDONESIA	SOUTH AMERICA	TOT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Proved Developed and Undeveloped Reserves								
Beginning of period.....	3.5	158.8	67.1	229.4	12.3	180.1	71.6	264
Revisions of previous estimates.....					.2	(3.2) (a)	5.1	2
Purchase of reserves in place.....	.3			.3				
Extensions, discoveries and other								

(MILLIONS OF BARRELS)

additions.....					.1	3.5 (a)	3
Production.....	(.1)	(4.7)	(.8)	(5.6)	(.9)	(21.6)	(1.8) (c) (24
Sales of reserves in place.....					(8.2)		(7.8) (16
	---	---	---	---	---	---	---
End of period.....	3.7	154.1	66.3	224.1	3.5	158.8	67.1 229
	---	---	---	---	---	---	---
Net Proved Developed Reserves							
Beginning of period.....	2.9	141.5	14.8	159.2	11.0	161.1	14.1 186
End of period.....	2.8	136.8	14.0	153.6	2.9	141.5	14.8 159

&lt;CAPTION&gt;

CRUDE OIL	INDONESIA	SOUTH AMERICA	TOTAL
<S>	<C>	<C>	<C>
Net Proved Developed and Undeveloped Reserves			
Beginning of period.....	155.2	53.1	220.5
Revisions of previous estimates.....	39.6(a)	1.2	41.2
Purchase of reserves in place.....			.2
Extensions, discoveries and other additions.....	8.1(a)	17.3	26.7
Production.....	(22.8)		(24.6)
Sales of reserves in place.....			
	----	----	----
End of period.....	180.1	71.6	264.0
	----	----	----
Net Proved Developed Reserves			
Beginning of period.....	128.9		140.2
End of period.....	161.1	14.1	186.2

&lt;/TABLE&gt;

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&lt;TABLE&gt;

&lt;CAPTION&gt;

	MARCH 31, 1995 (D)			1994			1993	
NATURAL GAS (B)	UNITED STATES	INDONESIA	TOTAL	UNITED STATES	INDONESIA	TOTAL	UNITED STATES	INDONESIA
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Proved Developed and Undeveloped Reserves								
Beginning of period.....	492	304	796	679	262	941	584	245
Revisions of previous estimates.....				21	1	22	3	(23)
Purchase of reserves in place.....	24		24				17	
Extensions, discoveries and other additions.....				13	58	71	152	45
Production.....	(11)	(4)	(15)	(57)	(17)	(74)	(76)	(5)
Sales of reserves in place.....				(164)		(164)	(1)	
	----	----	----	----	----	----	----	----
End of period.....	505	300	805	492	304	796	679	262
	----	----	----	----	----	----	----	----
Net Proved Developed Reserves								
Beginning of period.....	384	107	491	507	85	592	515	22
End of period.....	373	103	476	384	107	491	507	85

&lt;/TABLE&gt;

&lt;TABLE&gt;

&lt;CAPTION&gt;

	MARCH 31, 1995 (D)			1994			1993	
NATURAL GAS LIQUIDS	UNITED STATES	INDONESIA	TOTAL	UNITED STATES	INDONESIA	TOTAL	UNITED STATES	INDONESIA
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Proved Developed and Undeveloped Reserves								
Beginning of period.....	36.5	9.4	45.9	37.1	10.2	47.3	30.8	9.3
Revisions of previous estimates.....				2.0	(.7)	1.3	1.9	(.3)
Purchase of reserves in place.....	.4		.4					
Extensions, discoveries and other								

additions.....				.4	.7	1.1	7.2	1.7
Production.....	(.8)	(.1)	(.9)	(3.0)	(.8)	(3.8)	(2.8)	(.5)
End of period.....	36.1	9.3	45.4	36.5	9.4	45.9	37.1	10.2
Net Proved Developed Reserves								
Beginning of period.....	29.7	3.2	32.9	29.5	3.3	32.8	27.0	5.1
End of period.....	28.9	3.1	32.0	29.7	3.2	32.9	29.5	3.3

&lt;/TABLE&gt;

-----

- (a) The changes reflect the impact of the change in the price of crude oil on the barrels to which the Company is entitled under the terms of the Indonesian production sharing contracts. The Indonesian production sharing contracts allow the Company to recover tangible production and exploration costs, as well as operating costs. As the price of crude oil fluctuates, the Company is entitled to more or less barrels of cost recovery oil. Increasing prices at the end of 1994 resulted in a decrease of 11.7 million barrels. Decreasing prices resulted in an increase of 24.3 million barrels in 1993.
- (b) Natural gas is reported on the basis of actual or calculated volumes which remain after removal, by lease or field separation facilities, of liquefiable hydrocarbons and of non-hydrocarbons where they occur in sufficient quantities to render the gas unmarketable. Natural gas reserve volumes include liquefiable hydrocarbons approximating 11% of total gas reserves in the United States and 5% in Indonesia which are recoverable at natural gas processing plants downstream from the lease or field separation facilities. Such recoverable liquids also have been included in natural gas liquids reserve volumes.
- (c) Reserves in Venezuela attributable to an operating service agreement under which all hydrocarbons are owned by the Venezuelan government have not been included. Production reported in Oil and Gas reserves does not include Venezuela production but it is included in net oil sales reported in Exploration and Production Statistics. The SFAS 69 Results of Operations, Capitalized Costs and Costs Incurred disclosures include costs related to Venezuela.
- (d) Reserves are estimated at year end only. Reserves at March 31, 1995 are December 31, 1994 reserves adjusted only for the production for the first quarter of 1995 and purchase of properties in the United States.

#### Future Net Cash Flows

The standardized measure of discounted future net cash flows relating to the Company's proved oil and gas reserves is calculated and presented in accordance with Statement of Financial Accounting Standards

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&lt;PAGE&gt; 80

No. 69. Accordingly, future cash inflows were determined by applying year-end oil and gas prices (adjusted for future fixed and determinable price changes) to the Company's estimated share of future production from proved oil and gas reserves. Future income taxes were derived by applying year-end statutory tax rates to the estimated net future cash flows. A prescribed 10% discount factor was applied to the future net cash flows.

In the Company's opinion, this standardized measure is not a representative measure of fair market value, and the standardized measure presented for the Company's proved oil and gas reserves is not representative of the reserve value. The standardized measure is intended only to assist financial statement users in making comparisons between companies.

Future net cash flows and changes in the standardized measure are only prepared at year-end, therefore, no data is presented as of March 31, 1995. Information as of December 31, 1995 is included in the Post-merger section.

&lt;TABLE&gt;

&lt;CAPTION&gt;

	UNITED STATES		INDONESIA		SOUTH AMERICA		WORLDWIDE
	1994	1993	1994	1993	1994	1993	1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<
Future cash flows.....	\$ 967.3	\$1,781.2	\$ 3,389.0	\$ 3,269.8	\$ 831.9	\$ 700.9	\$ 5,188.2
Future production and development							



costs.....	(324.7)	(521.6)	(2,246.8)	(2,258.1)	(371.8)	(500.9)	(2,943.3)	-
Future income tax expenses.....	(92.8)	(152.4)	(503.1)	(438.5)	(53.6)	(81.9)	(649.5)	-
Future net cash flows.....	549.8	1,107.2	639.1	573.2	406.5	118.1	1,595.4	-
Annual discount at 10% rate.....	(241.1)	(414.0)	(261.7)	(238.2)	(162.8)	(85.0)	(665.6)	-
Standardized measure of discounted future net cash flows.....	\$ 308.7	\$ 693.2	\$ 377.4	\$ 335.0	\$ 243.7	\$ 33.1	\$ 929.8	\$

&lt;/TABLE&gt;

The following are the principal sources for change in the standardized measure:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	1994	1993
<S>	<C>	<C>
Beginning of year.....	\$1,061.3	\$1,169.6
Sales and transfers of oil and gas produced, net of production costs.....	(333.2)	(396.6)
Net changes in prices and production costs.....	103.4	(443.6)
Extensions, discoveries and improved recovery, less related costs.....	68.0	229.9
Development costs incurred during the year that reduced future development costs.....	123.2	217.4
Revisions of previous quantity estimates.....	56.6	13.6
Purchase of reserves in place.....	.4	18.8
Sale of reserves in place.....	(275.7)	(.9)
Net change in income taxes.....	(22.6)	170.5
Accretion of discount.....	132.4	172.3
Other.....	16.0	(89.7)
End of year.....	\$ 929.8	\$1,061.3

&lt;/TABLE&gt;

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MAXUS ENERGY CORPORATION  
CONSOLIDATED STATEMENT OF OPERATIONS

&lt;TABLE&gt;

&lt;CAPTION&gt;

	NINE MONTHS ENDED DECEMBER 31, 1995
<S>	<C>
Revenues	
Sales and operating revenues.....	\$ 463.8
Other revenues, net.....	7.1
	470.9
Costs and Expenses	
Operating expenses.....	173.5
Gas purchase costs.....	41.4
Exploration, including exploratory dry holes.....	51.2
Depreciation, depletion and amortization.....	142.1
General and administrative expenses.....	12.7
Taxes other than income taxes.....	9.7
Interest and debt expenses.....	104.9
	535.5
Loss Before Income Taxes.....	(64.6)
Income Taxes.....	9.1
Net Loss.....	(73.7)
Dividend requirement on Preferred Stock.....	(28.8)
Net Loss Applicable to Common Shares.....	\$ (102.5)
Net Loss Per Common Share.....	\$ (.76)

Average Common Shares Outstanding..... 135.6

</TABLE>

See Notes to Consolidated Financial Statements.

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MAXUS ENERGY CORPORATION  
CONSOLIDATED BALANCE SHEET

<TABLE>

<CAPTION>

ASSETS	DECEMBER 31, 1995	APRIL 1, 1995
	(UNAUDITED)	(UNAUDITED)
	(IN MILLIONS, EXCEPT SHARES)	(IN MILLIONS, EXCEPT SHARES)
<S>	<C>	<C>
Current Assets		
Cash and cash equivalents.....	\$ 38.3	\$ 92.1
Short-term investments.....		65.0
Receivables, less allowance for doubtful accounts.....	141.8	127.8
Taxes receivable.....		13.7
Inventories.....	40.8	28.6
Restricted cash.....	19.0	48.5
Prepays and other current assets.....	26.5	26.5
Total Current Assets.....	266.4	402.2
Properties and Equipment, less accumulated depreciation, depletion and amortization.....	2,363.6	2,404.7
Investments and Long-Term Receivables.....	7.1	36.7
Restricted Cash.....	61.4	77.1
Deferred Charges.....	18.3	15.5
	\$2,716.8	\$ 2,936.2
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Long-term debt.....	\$ 34.3	\$ 12.7
Accounts payable.....	59.0	49.8
Taxes payable.....	39.7	
Accrued liabilities.....	173.4	263.2
Total Current Liabilities.....	306.4	325.7
Long-Term Debt.....	1,261.2	1,282.7
Deferred Income Taxes.....	551.2	593.5
Other Liabilities and Deferred Credits.....	233.0	260.9
\$9.75 Redeemable Preferred Stock, \$1.00 par value Authorized and issued shares--1,250,000.....	125.0	125.0
Stockholders' Equity		
\$2.50 Preferred Stock, \$1.00 par value		
Authorized shares--5,000,000		
Issued shares--3,500,000.....	66.5	73.1
\$4.00 Preferred Stock, \$1.00 par value		
Authorized shares--5,915,017		
Issued shares--4,356,958.....	11.7	24.8
Common Stock, \$1.00 par value		
Authorized shares--300,000,000		
Issued shares--135,609,772 and 135,897,899.....	135.6	135.9
Paid-in capital.....	105.8	118.2
Accumulated deficit.....	(73.7)	
Minimum pension liability.....	(5.9)	
Common Treasury Stock, at cost--0 and 310,535.....		(3.6)
Total Stockholders' Equity.....	240.0	348.4
	\$2,716.8	\$ 2,936.2
	=====	=====

</TABLE>

See "Commitments and Contingencies."

See Notes to Consolidated Financial Statements.

The Company uses the successful efforts method to account for its oil and gas producing activities.

The Consolidated Balance Sheet at April 1, 1995 which represents the opening post-merger consolidated balance sheet is unaudited.

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## MAXUS ENERGY CORPORATION

## CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>  
<CAPTION>

	NINE MONTHS ENDED DECEMBER 31, 1995
	(IN MILLIONS)
<S>	<C>
Cash Flows From Operating Activities:	
Net loss.....	\$ (73.7)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation, depletion and amortization.....	142.1
Dry hole costs.....	18.8
Deferred income taxes.....	(49.2)
Net gain on sale of assets and investments.....	(5.9)
Postretirement benefits.....	3.1
Accretion of discount on long-term debt.....	7.3
Other.....	1.4
Changes in components of working capital:	
Receivables.....	(5.4)
Inventories, prepaids and other current assets.....	(12.8)
Accounts payable.....	9.2
Accrued liabilities.....	(31.5)
Taxes payable/receivable.....	53.4
Net Cash Provided by Operating Activities.....	56.8
Cash Flows From Investing Activities:	
Expenditures for properties and equipment--including dry hole costs.....	(137.4)
Proceeds from sales of assets.....	27.4
Proceeds from sale/maturity of short- and long-term investments.....	96.3
Restricted cash.....	45.3
Other.....	(34.3)
Net Cash Used in Investing Activities.....	(2.7)
Cash Flows From Financing Activities:	
Interest rate swap.....	6.9
Proceeds from issuance of short-term debt.....	17.2
Repayment of short-term debt.....	(21.8)
Net proceeds from issuance of long-term debt.....	839.8
Repayment of long-term debt.....	(425.1)
Acquisition of common stock, including payment of merger costs.....	(746.6)
Capital contribution from parent.....	250.5
Dividends paid on Preferred Stock.....	(28.8)
Net Cash Used in Financing Activities.....	(107.9)
Net Decrease in Cash and Cash Equivalents.....	(53.8)
Cash and Cash Equivalents at Beginning of Period.....	92.1
Cash and Cash Equivalents at End of Period.....	\$ 38.3

&lt;/TABLE&gt;

See Notes to Consolidated Financial Statements.

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PRESENTATION

On June 8, 1995, a special meeting of the stockholders of Maxus Energy Corporation (together with its foreign and domestic subsidiaries, the "Company")

or "Maxus") was held to approve the Agreement of Merger ("Merger Agreement") dated February 28, 1995, between the Company, YPF Acquisition Corp. (the "Purchaser") and YPF Sociedad Anonima ("YPF"). The holders of the Company's common stock, \$1.00 par value per share, and \$4.00 Cumulative Convertible Preferred Stock approved the Merger Agreement, and the Purchaser was merged into the Company (the "Merger") on June 8, 1995.

Effective April 1, 1995, the Company used the purchase method of accounting to record the acquisition of the Company by YPF. In a purchase method combination, the purchase price is allocated to acquired assets and assumed liabilities based on their fair values at the date of acquisition. As a result, the Company's assets and liabilities were revalued to reflect the approximate \$762 million cash purchase price paid by YPF to acquire the Company. The Company's pre-Merger Consolidated Balance Sheet as of March 31, 1995, together with the purchase method accounting adjustments, became the Company's opening unaudited post-Merger Consolidated Balance Sheet on April 1, 1995, which is included in the accompanying balance sheet.

The following post-Merger data is for the nine months ended December 31, 1995 and dollar amounts in tables are in millions, except per share amounts. Post-Merger financial information is not comparable to prior periods due to the application of purchase accounting effective April 1, 1995.

#### NOTE ONE--SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements have been prepared in conformity with generally accepted accounting principles, the most significant of which are described below.

##### Consolidation Accounting

The Consolidated Financial Statements include the accounts of Maxus Energy Corporation and all domestic and foreign subsidiaries. All significant intercompany accounts and transactions have been eliminated.

##### Statement of Cash Flows

Investments with original maturities of three months or less at the time of original purchase are considered cash equivalents for purposes of the accompanying Consolidated Statement of Cash Flows. Short-term investments include investments with maturities over three months but less than one year.

Net cash provided by operating activities reflects cash receipts for interest income and cash payments for interest expense and income taxes as follows:

		NINE MONTHS ENDED DECEMBER 31, 1995
<S>		<C>
Interest receipts.....		\$ 11.8
Interest payments.....		107.9
Income tax payments.....		64.7

##### Inventory Valuation

Inventories are valued at the lower of historical cost or market value and are primarily comprised of well equipment and supplies. Historical cost is determined primarily by using the weighted average cost method.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

##### Properties and Equipment

Properties and equipment are carried at cost. Major additions are capitalized; expenditures for repairs and maintenance are charged against earnings.

The Company uses the successful efforts method to account for costs

incurred in the acquisition, exploration, development and production of oil and gas reserves. Under this method, all geological and geophysical costs are expensed; all development costs, whether or not successful, are capitalized as costs of proved properties; exploratory drilling costs are initially capitalized, but if the effort is determined to be unsuccessful, the costs are then charged against earnings; depletion is computed based on an aggregation of properties with common geologic structural features or stratigraphic conditions, such as reservoirs or fields.

For investment in unproved properties in the United States, a valuation allowance (included as an element of depletion) is provided by a charge against earnings to reflect the impairment of unproven acreage. Investment in international non-producing leasehold costs are reviewed periodically by management to insure the carrying value is recoverable based upon the geological and engineering estimates of total possible and probable reserves expected to be added over the remaining life of each concession. Based upon increases to proved reserves determined by reserve reports, a portion of the investment in international non-producing leasehold costs will be periodically transferred to investment in proved properties.

Depreciation and depletion related to the costs of all development drilling, successful exploratory drilling and related production equipment is calculated using the unit of production ("UOP") method based upon estimated proved developed reserves. Leasehold costs are amortized using the UOP method based on estimated total proved reserves. Other properties and equipment are depreciated generally on the straight-line method over their estimated useful lives. Estimated future dismantlement, restoration and abandonment costs for major facilities, net of salvage value, are taken into account in determining depreciation, depletion and amortization.

The Company capitalizes the interest cost associated with major property additions and mineral development projects while in progress, such amounts being amortized over the useful lives, and applying the same depreciation method, as that used for the related assets.

When complete units of depreciable property are retired or sold, the asset cost and related accumulated depreciation are eliminated with any gain or loss reflected in other revenues, net. When less than complete units of depreciable property are disposed of or retired, the difference between asset cost and salvage or sales value is charged or credited to accumulated depreciation and depletion.

#### Deferred Charges

Deferred charges are primarily comprised of debt issuance costs and are amortized over the terms of the related debt agreements.

#### Revenue Recognition

Oil and gas sales are recorded on the entitlements method. Differences between the Company's actual production and entitlements result in a receivable when underproduction occurs and a payable when overproduction occurs. These underproduced or overproduced volumes are valued based on the weighted average sales price for each respective property. The Company's gross underproduced and overproduced volumes at December 31, 1995, are not material.

#### Pensions

The Company has a number of trustee noncontributory pension plans covering substantially all full-time employees. The Company's funding policy is to contribute amounts to the plans sufficient to meet the

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

minimum funding requirements under governmental regulations, plus such additional amounts as management may determine to be appropriate. The benefits related to the plans are based on years of service and compensation earned during years of employment. The Company also has a noncontributory supplemental retirement plan for executive officers.

#### Other Postretirement and Postemployment Benefits

The Company provides certain health care and life insurance benefits for retired employees and certain insurance and other postemployment benefits for

individuals whose employment is terminated by the Company prior to their normal retirement. The Company accrues the estimated cost of retiree benefit payments, other than pensions, during employees' active service period. Employees become eligible for these benefits if they meet minimum age and service requirements. The Company accounts for benefits provided after employment but before retirement by accruing the estimated cost of postemployment benefits when the minimum service period is met, payment of the benefit is probable and the amount of the benefit can be reasonably estimated. The Company's policy is to fund other postretirement and postemployment benefits as claims are incurred.

#### Environmental Expenditures

Environmental liabilities are recorded when environmental assessments and/or remediation are probable and material and such costs to the Company can be reasonably estimated. The Company's estimate of environmental assessment and/or remediation costs to be incurred are based on either 1) detailed feasibility studies of remediation approach and cost for individual sites or 2) the Company's estimate of costs to be incurred based on historical experience and publicly available information, based on the stage of assessment and/or remediation of each site. As additional information becomes available regarding each site or as environmental remediation standards change, the Company revises its estimate of costs to be incurred in environmental assessment and/or remediation.

#### Income Taxes

The Company reports income taxes in accordance with Statement of Financial Accounting Standards No. 109 ("SFAS 109"), Accounting for Income Taxes. SFAS 109 requires the use of an asset and liability approach to measure deferred tax assets and liabilities resulting from all expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Additionally, SFAS 109 requires that annual taxes are to be allocated to interim periods on the basis of the requirements of Accounting Principles Board Opinion No. 28 ("APB 28"), Interim Financial Reporting. The reporting requirements of APB 28 are based on the view that each interim period is an integral part of the annual period.

Because the tax year of the Company did not close in any relevant jurisdiction on March 31, 1995, taxes were not measured on deferred tax liabilities and assets at that time. Thus, taxes were allocated to the nine month period ended December 31, 1995 based on an allocation of taxes for the annual period ended December 31, 1995, in accordance with APB 28 and SFAS 109. Deferred tax assets and liabilities were measured at December 31, 1995.

#### Earnings per Share

Primary earnings per share are based on the weighted average number of shares of common stock and common stock equivalents outstanding, unless the inclusion of common stock equivalents has an antidilutive effect on earnings per share. Fully diluted earnings per share are not presented due to the antidilutive effect of including all potentially dilutive common stock equivalents.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

#### Financial Instruments with Off-Balance-Sheet Risk and Concentrations of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents, short-term investments and trade receivables.

The Company's cash equivalents, short-term investments and restricted cash represent high-quality securities placed with various high investment grade institutions. This investment practice limits the Company's exposure to concentrations of credit risk.

The Company's trade receivables are dispersed among a broad domestic and international customer base; therefore, concentrations of credit risk are limited. The Company carefully assesses the financial strength of its customers. Letters of credit are the primary security obtained to support lines of credit.

The Company has minimal exposure to credit losses in the event of nonperformance by the counterparties to its interest rate swap agreement,

natural gas price swap agreements and nonderivative financial assets. The Company does not obtain collateral or other security to support financial instruments subject to credit risk but restricts such arrangements to investment-grade counterparties.

#### Investments in Marketable Securities

Investments in debt and equity securities are reported at fair value except for those investments in debt securities which management has the intent and the ability to hold to maturity. Investments in debt securities which are held-for-sale are classified based on the stated maturity and management's intent to sell the securities. Unrealized gains and losses on investments in marketable securities, except for debt securities classified as "held-to-maturity", are reported as a separate component of stockholders' equity.

#### Derivatives

The Company periodically hedges the effects of fluctuations in the price of crude oil and natural gas through price swap agreements and futures contracts. The Company historically has hedged no more than 50% of its U. S. gas production although the Company anticipates it may hedge up to 90% of its U. S. gas production during 1996. Gains and losses on these hedges are deferred until the related sales are recognized and are recorded as a component of sales and operating revenues. The Company periodically enters into interest rate swap agreements to hedge interest on long-term debt. The gain or loss on interest rate swaps is recognized monthly as a decrease or increase to interest expense.

#### Take-or-Pay Obligations

The Company records payments received for take-or-pay obligations for unpurchased contract volumes as deferred revenue, which is included in Other Liabilities in the consolidated balance sheet. The deferred revenue is recognized in the income statement as quantities are delivered which fulfill the take-or-pay obligation. At December 31, 1995, the Company had \$12.4 million in deferred revenue as a result of a take-or-pay payment received related to its Indonesian operations.

#### NOTE TWO--MERGER

On June 8, 1995, a special meeting of the stockholders of the Company was held to approve the Agreement of Merger ("Merger Agreement") dated February 28, 1995, between the Company, YPF Acquisition Corp. (the "Purchaser") and YPF Sociedad Anonima ("YPF"). The holders of the Company's common stock, \$1.00 par value per share (the "Shares"), and \$4.00 Cumulative Convertible Preferred Stock (the "\$4.00 Preferred Stock") and together with the Shares, the ("Voting Shares") approved the Merger Agreement, and the Purchaser was merged into the Company (the "Merger") on June 8, 1995 (the "Merger Date").

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The Merger was the consummation of all transactions contemplated by the Merger Agreement. Pursuant to the Merger Agreement, a tender offer (the "Offer") was commenced on March 6, 1995 by the Purchaser for all the outstanding Shares at \$5.50 per Share. Pursuant to the Offer, in April 1995 the Purchaser acquired 120,000,613 Shares representing approximately 88.5% of the then-outstanding Shares of the Company. As a result of the Merger, each outstanding Share (other than Shares held by the Purchaser, YPF or any of their subsidiaries or in the treasury of the Company (all of which were cancelled in the second quarter of 1995) and Shares of holders who perfected their appraisal rights under Section 262 of the Delaware General Corporation Law) was converted into the right to receive \$5.50 in cash, and YPF became the sole holder of all outstanding Shares. The Company's preferred stock, consisting of the \$4.00 Preferred Stock, \$2.50 Cumulative Preferred Stock ("2.50 Preferred Stock") and \$9.75 Cumulative Convertible Preferred Stock (the "\$9.75 Preferred Stock") remain outstanding. YPF currently owns approximately 96.9% of the outstanding Voting Shares.

The total amount of funds required by the Purchaser to acquire the entire common equity interest in the Company, including the purchase of Shares pursuant to the Offer and the payment for Shares converted into the right to receive cash pursuant to the Merger, was approximately \$762 million. On April 5, 1995 the Purchaser entered into a credit agreement (the "Credit Agreement") with lenders for which The Chase Manhattan Bank (National Association) ("Chase") acted as agent, pursuant to which the lenders extended to the Purchaser a credit facility

for up to \$550 million (the "Purchaser Facility"). On April 5, 1995, the Purchaser borrowed \$442 million under the Purchaser Facility and received a capital contribution of \$250 million from YPF. The Purchaser used borrowings under the Purchaser Facility and the funds contributed to it by YPF to purchase 120,000,613 Shares pursuant to the Offer. Subsequent to the Merger, these Shares and all other outstanding Shares vested in YPF.

During the second quarter of 1995, the Company used the purchase method to record the acquisition of the Company by YPF. In a purchase method combination, the purchase price is allocated to the acquired assets and assumed liabilities based on their fair values at the date of acquisition. As a result, the assets and liabilities of the Company were revalued to reflect the approximate \$762 million cash purchase price paid by YPF plus all liabilities assumed to acquire the Company. The Company's oil and gas properties were assigned carrying amounts based on their relative fair market values. In connection with the purchase price allocation, the Company adopted Statement of Financial Accounting Standards No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," which requires a review of long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of the asset may not be recoverable. Under SFAS 121, if the expected future cash flow of a long-lived asset is less than the carrying amount of the asset, an impairment loss shall be recognized to value the asset at its fair value. Maxus revalued its assets and liabilities on April 1, 1995 following the provisions of SFAS 121. There was no impact on the Company's results of operations due to the adoption of SFAS 121 during the nine months ended December 31, 1995.

Following the Merger, Chase provided two additional credit facilities aggregating \$425 million: (i) a credit facility of \$250 million extended to Midgard Energy Company ("Midgard"), a wholly owned subsidiary of the Company, and (ii) a credit facility of \$175 million extended to Maxus Indonesia, Inc. ("Holdings"), a wholly owned subsidiary of the Company. The proceeds of the loans made pursuant to these facilities were used to repay, in part, the Purchaser Facility, which was assumed by the Company pursuant to the Merger. In addition, the Company applied \$8 million of its available cash to repay the Purchaser Facility and used approximately \$86 million of its available cash to pay holders of Shares converted into the right to receive cash in the Merger.

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

## NOTE THREE--ASSET DIVESTITURES

In December 1995, the Company sold its overriding royalty interest in the Recetor Block in Colombia for \$25 million. There was no gain or loss recognized on this transaction as the sales price approximated the carrying value of the investment in the Recetor Block.

## NOTE FOUR--GEOGRAPHIC DATA

The Company is engaged primarily in the exploration for and the production and sale of crude oil and natural gas.

Sales, operating profit and identifiable assets by geographic area were as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

SALES AND OPERATING REVENUES
-----
NINE MONTHS ENDED DECEMBER 31, 1995
-----
<S>
United States.....
Indonesia.....
South America.....
-----
\$ 463.8
=====

United States.....	\$ 128.9
Indonesia.....	298.3
South America.....	36.6
	-----
	\$ 463.8
	=====



&lt;/TABLE&gt;

&lt;TABLE&gt;

&lt;CAPTION&gt;

	OPERATING LOSS
	-----
	NINE MONTHS ENDED
	DECEMBER
	31,
	1995
	-----
<S>	<C>
United States.....	\$ (15.1)
Indonesia.....	88.7
South America.....	(11.5)
Other Foreign.....	(15.9)
	-----
	46.2
General corporate expenses.....	(5.9)
Interest and debt expenses.....	(104.9)
	-----
	\$ (64.6)
	=====

&lt;/TABLE&gt;

&lt;TABLE&gt;

&lt;CAPTION&gt;

	IDENTIFIABLE ASSETS
	-----
	DECEMBER
	31,
	1995
	-----
<S>	<C>
United States.....	\$ 715.9
Indonesia.....	1,157.1
South America.....	666.6
Other Foreign.....	24.3
	-----
	2,563.9
Corporate assets.....	152.9
	-----
	\$ 2,716.8
	=====

&lt;/TABLE&gt;

Net foreign assets were \$1,296.7 million at December 31, 1995. Income from foreign operations, after applicable local taxes, was \$6.9 million for the nine months ended December 31, 1995.

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Sales to two customers for the nine months ended December 31, 1995 each represented 10% or more of consolidated sales:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	NINE MONTHS ENDED
	DECEMBER
	31,
	1995
	-----
<S>	<C>
Mitsubishi Corporation.....	\$ 49.6
Indonesian Government.....	102.4

&lt;/TABLE&gt;

The Company does not believe that the loss of Mitsubishi Corporation as a customer would adversely affect the Company's ability to market its oil and gas production. Sales to the Company's largest customer, the Indonesian Government,

are made primarily pursuant to long-term production sharing contracts between the Company's Indonesian operations and the Indonesian Government. The Indonesian Government is required to purchase a specified amount of the Company's oil and gas production throughout the life of its operations in Indonesia based on these contracts.

## NOTE FIVE--TAXES

Income before income taxes was comprised of income (loss) from:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	NINE MONTHS ENDED DECEMBER 31, 1995
	-----
<S>	<C>
United States.....	\$ (125.9)
Foreign.....	61.3
	-----
	\$ (64.6)
	=====

&lt;/TABLE&gt;

The Company's provision for income taxes was comprised of the following:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	NINE MONTHS ENDED DECEMBER 31, 1995
	-----
<S>	<C>
Current	
Federal.....	\$ (7.9)
Foreign.....	64.9
State and local.....	1.3
	-----
	58.3
Deferred	
Federal.....	(15.2)
Foreign.....	(34.0)
	-----
	(49.2)
	-----
Provision for income taxes.....	\$ 9.1
	=====

&lt;/TABLE&gt;

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The principal reasons for the difference between tax expense at the statutory federal income tax rate of 35% and the Company's provision for income taxes were:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	NINE MONTHS ENDED DECEMBER 31, 1995
	-----
<S>	<C>
Tax expense (benefit) at statutory federal rate.....	\$ (22.6)
Increase (reduction) resulting from:	
Taxes on foreign income.....	19.8
Asset sales.....	1.5
Non-deductible depreciation and amortization of net purchase price adjustments.....	4.4

Valuation allowance.....	11.7
Audit settlements and other changes in tax position.....	(5.0)
Other, net.....	(.7)
	-----
Provision for income taxes.....	\$ 9.1
	=====

&lt;/TABLE&gt;

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of and for the nine months ended December 31, 1995 were as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	NINE MONTHS ENDED DECEMBER 31, 1995
	-----
<S>	<C>
U. S. deferred tax liabilities	
Properties and equipment.....	\$ 269.1
Other.....	18.6
	-----
Deferred U. S. tax liabilities.....	287.7
	-----
U. S. deferred tax assets	
Foreign deferred taxes.....	(139.8)
Book accruals.....	(28.0)
Interest limitation carryforwards.....	(16.4)
Loss carryforwards.....	(72.7)
Credit carryforwards.....	(19.9)
Other.....	(.2)
	-----
Gross deferred U. S. tax assets.....	(277.0)
	-----
Valuation allowance.....	87.1
	-----
Net deferred U. S. tax assets.....	(189.9)
	-----
Net deferred U. S. taxes.....	97.8
	-----
Foreign deferred tax liabilities	
Properties and equipment.....	446.5
	-----
Net deferred foreign taxes.....	446.5
	-----
Net deferred taxes.....	\$ 544.3
	=====

&lt;/TABLE&gt;

As a result of an increase in U. S. net operating loss carryforwards, the valuation allowance was increased \$11.7 million during the nine months ended December 31, 1995.

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

At December 31, 1995, the Company had \$14.4 million of general business credit carryforwards that expire between 1996 and 2002; \$207.7 million of U.S. net operating loss carryforwards that expire from 2003 to 2010; and \$5.5 million of minimum tax credit that can be carried forward indefinitely.

As a result of the Merger, effective April 1, 1995, the Company's ability to utilize its existing net operating loss carryforwards will be limited by statute to approximately \$92.0 million each year until exhausted. To the extent certain gains are recognized in the future, the annual limitation may be increased to the extent that the gains are built-in gains within the meaning of the U.S. Internal Revenue Code.

There are accumulated undistributed earnings after applicable local taxes of foreign subsidiaries of \$5.7 million at December 31, 1995 for which no provision was necessary for foreign withholding or other income taxes because that amount had been reinvested in properties and equipment and working capital

in the foreign jurisdictions.

Taxes other than income taxes were comprised of the following:

<TABLE>

<CAPTION>

	NINE MONTHS ENDED DECEMBER 31, 1995
<S>	<C>
Gross production.....	\$ 4.1
Real and personal property.....	5.2
Other.....	.4
	-----
	\$ 9.7
	=====

</TABLE>

#### NOTE SIX--POSTEMPLOYMENT BENEFITS

##### Pensions

The components of net periodic pension expense are as follows:

<TABLE>

<CAPTION>

	NINE MONTHS ENDED DECEMBER 31, 1995
<S>	<C>
Service cost for benefits earned during the period.....	\$ 1.4
Interest cost on projected benefit obligation.....	6.5
Actual return on plan assets.....	(13.4)
Net amortization and deferrals.....	7.4
	-----
	\$ 1.9
	=====

</TABLE>

Plan assets are primarily invested in short-term investments, stocks and bonds. The principal assumptions used to estimate the benefit obligations of the plans on the measurement date, October 1, 1995, were as follows:

<TABLE>

<S>	<C>
Discount rate.....	7.5%
Expected long-term rate of return on assets.....	9.0%
Rate of increase in compensation levels.....	4.5%

</TABLE>

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<PAGE> 93

#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The funded status of the plans at December 31, 1995 were as follows:

<TABLE>

<CAPTION>

	PLANS WITH	
	ACCUMULATED BENEFITS EXCEEDING ASSETS	ASSETS EXCEEDING ACCUMULATED BENEFITS
<S>	<C>	<C>
Actuarial present value of:		
Vested benefit obligation.....	\$ 111.7	\$ 1.1
	-----	-----
Accumulated benefit obligation.....	\$ 117.6	\$ 1.1

Projected benefit obligation.....	\$ 122.6	\$ 1.1
Plan assets at fair value.....	102.8	1.3
Plan assets (less)more than projected benefit obligation.....	\$ (19.8)	\$ .2
Unrecognized net loss.....	10.1	
Adjustment required to recognize minimum liability.....	(5.9)	
Prepaid (accrued) pension cost.....	\$ (15.6)	\$ .2
	=====	=====

&lt;/TABLE&gt;

As a result of the Merger, the Company was required to fully accrue its obligation for pension benefits in purchase accounting (See Note Two). Therefore, effective April 1, 1995, the Company increased its balance sheet liability to reflect any previously unrecognized gains and losses, transition obligations and prior service costs. Additionally, several of the Company's pension plans experienced a partial curtailment due to workforce reductions following the Merger. The impact of the partial curtailment, which had no impact on the Company's net periodic pension expense, reduced the Company's projected benefit obligation by \$1.1 million.

At December 31, 1995, the Company's accumulated postretirement benefit obligation ("APBO") exceeded the plan assets. In accordance with Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," the Company recorded a minimum pension liability of \$5.9 million and a charge to equity of \$5.9 million.

In addition to the defined benefit plans, the Company has a defined contribution plan which covers the Indonesian nationals. Employee contributions of 2% of each covered employee's compensation are matched by the Company with a contribution of 6% of compensation. Contributions to the plan were \$.4 million for the nine months ended December 31, 1995.

#### Other Postretirement Benefits

As a result of the Merger, the Company was required to fully accrue its obligation for postretirement benefits other than pensions in purchase accounting (See Note Two). Therefore, effective April 1, 1995, the Company increased its balance sheet liability by \$31.7 million to reflect any previously unrecognized gains and unrecognized transition obligation at March 31, 1995.

The components of net periodic postretirement benefit expense for the nine months ended December 31, 1995 are as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	NINE MONTHS ENDED DECEMBER 31, 1995
	-----
<S>	<C>
Service cost for benefits earned during the period.....	\$ .3
Interest cost on accumulated postretirement benefit obligation.....	2.6
	-----
	\$ 2.9
	=====

&lt;/TABLE&gt;

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&lt;PAGE&gt; 94

#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The APBO as of December 31, 1995 was \$46.6 million. The amount recognized in the Company's statement of financial position at December 31, 1995 is as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

DECEMBER 31,  
1995

<S>	<C>
Retirees.....	\$ 39.9
Fully eligible active employees.....	2.3
Other active employees.....	4.4
	-----
Total.....	46.6
Unrecognized net loss.....	(1.6)
	-----
	\$ 45.0
	=====

&lt;/TABLE&gt;

A discount rate of 7.5% was used in determining the APBO at December 31 1995. The APBO was based on a 9% increase in the medical cost trend rate, with the rate trending downward .5% per year to 5% in 2003 and remaining at 5% thereafter. This assumption has a significant effect on annual expense, as it is estimated that a 1% increase in the medical trend rate would increase the APBO at December 31, 1995 by \$4.6 million and increase the net periodic postretirement benefit cost by \$.4 million per year.

## NOTE SEVEN--FINANCIAL INSTRUMENTS

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. Unless otherwise disclosed, the fair value of financial instruments approximates their recorded values.

## Restricted Cash

The fair value of the Company's restricted cash, which is invested primarily in U. S. Treasury notes, marketable securities and trust accounts, is based on the quoted market prices for the same or similar securities at the reporting date. The Company's gross unrealized gain on its restricted cash was \$2.3 million at December 31, 1995.

## Long-Term Debt

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

The estimated fair value of the Company's financial instruments are as follows:

<TABLE>  
<CAPTION>

	DECEMBER 31, 1995	
	CARRYING	FAIR
	AMOUNT	VALUE
	-----	-----
<S>	<C>	<C>
Assets		
Restricted cash, including current and long-term		
portion.....	\$ 80.4	\$ 82.7
Liabilities		
Long-term debt, including current portion.....	1,295.5	1,408.7
\$9.75 Preferred Stock.....	125.0	125.8

&lt;/TABLE&gt;

For information on the Company's derivative financial instruments, see Note Thirteen.

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&lt;PAGE&gt; 95

## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

## NOTE EIGHT--RECEIVABLES

<TABLE>  
<CAPTION>

	DECEMBER 31,
	1995
	-----
<S>	<C>

Trade receivables.....	\$ 101.4
Notes and other receivables.....	41.3
Less--Allowance for doubtful receivables.....	.9
	-----
	\$ 141.8
	=====

&lt;/TABLE&gt;

## NOTE NINE--PROPERTIES AND EQUIPMENT

&lt;TABLE&gt;

&lt;CAPTION&gt;

	DECEMBER 31, 1995
	-----
<S>	<C>
Proved properties.....	\$ 1,597.1
Unproved properties.....	763.1
Gas plants and other.....	130.0
	-----
Total Oil and Gas.....	2,490.2
Corporate.....	13.3
	-----
	2,503.5
Less--Accumulated depreciation, depletion and amortization.....	139.9
	-----
	\$2,363.6
	=====

&lt;/TABLE&gt;

The charge against earnings for depreciation, depletion and amortization of property and equipment was \$142.1 million for the nine months ended December 31, 1995 and the charge against earnings for maintenance and repairs, which is included in operating expenses, was \$25 million.

## NOTE TEN--RESTRICTED CASH

At December 31, 1995 the Company had \$80.4 million in restricted cash, of which \$30.7 million represented collateral for outstanding letters of credit and \$7.4 million represented six months of interest on outstanding borrowings as required by the Holdings credit agreement. Assets held in trust as required by certain insurance policies were \$42.3 million. Approximately \$19.0 million of collateral for outstanding letters of credit at December 31, 1995, was classified as a current asset as these amounts are expected to be released during 1996.

## NOTE ELEVEN--ACCRUED LIABILITIES

&lt;TABLE&gt;

&lt;CAPTION&gt;

	DECEMBER 31, 1995
	-----
<S>	<C>
Accrued interest payable.....	\$ 24.2
Joint interest billings for international operations.....	41.7
Merger reserve.....	31.4
Environmental reserve.....	28.5
Overlift payable.....	6.6
Postretirement and postemployment benefits.....	4.5
Accrued compensation, benefits and withholdings.....	8.1
Other.....	28.4
	-----
	\$ 173.4
	=====

&lt;/TABLE&gt;

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

## NOTE TWELVE--LONG-TERM DEBT AND CREDIT ARRANGEMENTS

&lt;TABLE&gt;

&lt;CAPTION&gt;

DECEMBER 31, 1995

	FACE VALUE	UNAMORTIZED DISCOUNT	CARRYING VALUE
<S>	<C>	<C>	<C>
Senior Indebtedness			
Sinking Fund Debentures			
11 1/4% due 2013, effective rate			
13.45%.....	\$ 16.9	\$ 2.5	\$ 14.4
11 1/2% due 2001-2015, effective rate			
13.82%.....	109.6	15.0	94.6
8 1/2% due 1998-2008, effective rate			
12.60%.....	93.8	17.7	76.1
Notes			
9 7/8% due 2002, effective rate 12.26%....	247.8	26.7	221.1
9 1/2% due 2003, effective rate 12.22%....	100.0	12.7	87.3
9 3/8% due 2003, effective rate 12.03%....	260.0	34.5	225.5
Medium-term notes.....	144.9	.1	144.8
Bank and other loans.....	.1		.1
Midgard Credit Facility.....	250.0		250.0
Holdings Credit Facility.....	175.0		175.0
Advances from parent.....	6.6		6.6
	-----	-----	-----
Total senior			
indebtedness.....	1,404.7	109.2	1,295.5
Less--current portion.....	34.3		34.3
	-----	-----	-----
	\$1,370.4	\$ 109.2	\$1,261.2
	=====	=====	=====

&lt;/TABLE&gt;

As a result of the Merger, the Company was required to revalue its outstanding debt to market value. Consequently, the Company reduced the carrying amount of its debt by recording \$115.1 million of unamortized discount on April 1, 1995. Total debt outstanding at April 1, 1995 of \$1,295.4 million, as included in the accompanying unaudited balance sheet, reflected the unamortized discount. For the nine months ended December 31, 1995 \$5.9 million of discount amortization was included as a component of interest expense.

The aggregate maturities of long-term debt outstanding at December 31, 1995, for the next five years will be as follows:

<S>	<C>
1996.....	\$34.3
1997.....	89.1
1998.....	95.5
1999.....	76.5
2000.....	74.0

&lt;/TABLE&gt;

At December 31, 1995, the Company had \$144.8 million of medium-term notes outstanding, which were issued in prior years, with maturities from 1996 to 2004 and annual interest rates ranging from 7.57% to 11.08%.

The Company maintains a \$25.0 million uncommitted credit facility (the "credit facility"), which is used for the issuance of documentary or standby letters of credit and/or the payment of shipping documents. The credit facility can be secured by cash or the accounts receivable which are financed through the letters of credit. At December 31, 1995, there were \$13.8 million of cash collateralized letters of credit outstanding under this credit facility.

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&lt;PAGE&gt; 97

## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Total interest and debt expenses incurred, including capitalized interest, were as follows:

<TABLE>  
<CAPTION>

NINE MONTHS  
ENDED  
DECEMBER  
31,  
1995



<S>	<C>
Interest and debt expenses.....	\$ 104.9
Capitalized interest.....	1.4
	-----
	\$ 106.3
	=====

&lt;/TABLE&gt;

## CREDIT FACILITIES

On April 5, 1995, the Company borrowed \$442 million under the Purchaser Facility (See Note Two) and received a capital contribution of \$250 million from YPF. The Purchaser used borrowings under the Purchaser Facility and the funds contributed to it by YPF to purchase 120,000,613 Shares pursuant to the Offer.

Pursuant to a commitment letter from Chase, Chase provided two additional credit facilities aggregating \$425 million: (i) a credit facility of \$250 million extended to Midgard Energy Company ("Midgard"), a wholly owned subsidiary of the Company and (ii) a credit facility of \$175 million extended to Maxus Indonesia, Inc. ("Holdings"), a wholly owned subsidiary of the Company. The proceeds of these loans were used to repay in part, the Purchaser Facility, which was assumed by the Company. In addition, the Company applied \$8 million of its available cash to repayment of the Purchaser Facility. The Company capitalized \$16.8 million of debt issue costs during 1995 in connection with the Midgard and Holdings credit facilities. These costs are recorded as deferred charges and amortized over the terms of the related borrowings. For the nine months ended December 31, 1995 \$1.2 million of debt issue costs amortization was included as a component of interest expense.

Midgard Facility. Approximately \$250 million of the loans under the Purchaser Facility were repaid on June 8, 1995 with funds provided to the Company by Midgard. Midgard provided these funds from the proceeds of a \$250 million loan (the "Midgard Loan") extended to it pursuant to a credit agreement (the "Midgard Facility") entered into on such date. In addition, approximately \$8 million of the loans outstanding under the Purchaser Facility, including accrued interest on the Purchaser Facility loans, were repaid on June 8, 1995 utilizing cash held by the Company.

The Midgard Loan, which was made in a single drawing, will mature on December 31, 2003 and will be repaid in up to 28 consecutive equal quarterly installments commencing on March 31, 1997, subject to semi-annual borrowing base redeterminations. At December 31, 1995, the borrowing base for the Midgard Facility was \$250 million. The borrowing base is subject to redetermination on April 1, 1996. At Midgard's option, the interest rate applicable to the Midgard Loan will be, until March 31, 1997, either (i) the one-, two- or three-month London Interbank Offered Rate ("LIBOR") plus a margin of 1 3/4% or (ii) the Base Rate (as defined in the Midgard Facility) plus a margin of 3/4% and, thereafter, either (iii) the one-, two- or three-month LIBOR plus a margin of 2 1/4% or (iv) the Base Rate plus a margin of 1 1/4%. At December 31, 1995, the interest rate on the Midgard Facility based on the one-month LIBOR plus 1 3/4% was 7.6875%. The Midgard Loan is not secured but is guaranteed by YPF and the Company. The agreement evidencing the Midgard Loan contains, among other things, a negative pledge on all assets of Midgard, subject to customary exceptions. It is anticipated that the Midgard Loan will be repaid with funds generated by Midgard's business operations.

Holdings Facility. Approximately \$175 million of the Purchaser Facility was repaid with funds provided on June 16, 1995 to the Company by Holdings. Holdings provided these funds from the proceeds of a \$175 million loan (the "Subsidiaries Loan") extended to it pursuant to a credit agreement (the "Holdings Facility") entered into on such date.

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The Subsidiaries Loan, which was made in a single drawing on June 16, 1995, will mature on December 31, 2002 and will be repaid in up to 24 consecutive equal quarterly installments commencing on March 31, 1997, subject to semi-annual borrowing base redeterminations. At December 31, 1995, the borrowing base for the Holdings Facility was \$175 million. The borrowing base is subject to redetermination on April 1, 1996. At the option of Holdings, the interest rates applicable to the Subsidiaries Loan will be, until March 31, 1997, either (i) the one-, two- or three-month LIBOR plus a margin of 2 1/4% or (ii) the Base Rate (as defined in the Holdings Facility) plus a margin of 1 1/4% and,

thereafter, either (iii) the one-, two- or three-month LIBOR plus a margin of 2 3/4% or (iv) the Base Rate plus a margin of 1 3/4%. At December 31, 1995, the interest rate on the Holdings Facility based on the one-month LIBOR plus 2 1/4% was 8.125%. The Subsidiaries Loan to Holdings is secured by the stock of Maxus Northwest Java, Inc. ("Java") and Maxus Southeast Sumatra, Inc. ("Sumatra") (collectively, the "Holdings Subsidiaries") and by the interest of Holdings, Java and Sumatra in certain accounts maintained at Chase into which the proceeds of sales of hydrocarbons are to be deposited, and is guaranteed by Java, Sumatra, YPF and the Company. The agreement evidencing the Subsidiaries Loan contains a negative pledge on all of the other assets of Holdings, subject to customary exceptions. It is anticipated that the Subsidiaries Loan will be repaid with funds generated by the Holdings Subsidiaries' business operations.

Each of the Midgard Facility and the Holdings Facility contains restrictive covenants including limitations upon the sale of assets, mergers and consolidations, the creation of liens and additional indebtedness, investments, dividends, the purchase or repayment of subordinated indebtedness, transactions with affiliates and modifications to certain material contracts. The obligors under the Midgard Facility and the Holdings Facility may not permit (a) consolidated tangible net worth to be less than \$200 million, in the case of the Midgard Facility, or \$350 million, in the case of the Holdings Facility, plus (or minus), in the case of Midgard, the amount of any adjustment in the book value of assets or, in the case of Holdings, 70% of the amount of any adjustment to net worth, resulting from the merger of YPF Acquisition Corp. into the Company, (b) the ratio of consolidated cash flow to consolidated debt service to be less than 1.1 to 1.0 at the end of any fiscal quarter and (c) the ratio of consolidated cash flow to consolidated interest expense to be less than 1.25 to 1.0 at the end of any fiscal quarter. In addition, mandatory prepayments of the loans under the Midgard Facility and the Holdings Facility may be required in connection with certain asset sales and casualty losses, upon the issuance of subordinated indebtedness and in 1996 and in each year thereafter if, after semi-annual review, the agent and the lenders determine that a borrowing base deficiency exists. No borrowing base deficiencies existed at December 31, 1995.

The guaranty by Maxus of the obligation under the Midgard Facility (the "Midgard Guaranty") and under the Holdings Facility (the "Subsidiaries Guaranty") contains restrictions upon mergers and consolidations, the creation of liens and the business activities in which Maxus and its subsidiaries may engage. In addition, Midgard, in the case of the Midgard Guaranty, and Holdings and its subsidiaries, in the case of the Subsidiaries Guaranty, are required to be wholly owned subsidiaries of Maxus, except to the extent YPF or a subsidiary of YPF (other than Maxus or a subsidiary of Maxus) makes capital contributions to Midgard or Holdings or one of Holdings subsidiaries, as the case may be.

#### Keepwell Covenant

Pursuant to the Merger Agreement, in the event that the Company is unable to meet its obligations as they come due, whether at maturity or otherwise, including, solely for the purposes of this undertaking, dividend and redemption payments with respect to the \$9.75 Preferred Stock, the \$2.50 Preferred Stock and the \$4.00 Preferred Stock, YPF has agreed to capitalize the Company in an amount necessary to permit the Company to meet such obligations; provided that YPF's aggregate obligation will be: (i) limited to the amount of debt service obligations under the Purchaser Facility, the Midgard Facility and the Holdings Facility and (ii) reduced by the amount, if any, of capital contributions by YPF to the Company after the Merger Date and by the amount of the net proceeds of any sale by the Company of common stock or

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

nonredeemable preferred stock after the Merger Date. The foregoing obligations of YPF (the "Keepwell Covenant") will survive until June 8, 2004. YPF has made no capital contributions under the Keepwell Covenant as of December 31, 1995. In addition, YPF has guaranteed the Company's outstanding debt as of the Merger Date, the principal amount of which was approximately \$976 million. The debt covered by the YPF guarantee includes the Company's outstanding 11 1/4%, 11 1/2% and 8 1/2% Sinking Fund Debentures, its outstanding 9 7/8%, 9 1/2% and 9 3/8% Notes, and its outstanding medium-term notes. YPF has also guaranteed the payment and performance of the Company's obligations to the holders of its \$9.75 Preferred Stock.

#### Advances from Parent

Based on 1996 projections, the Company anticipates that YPF will make

capital contributions of approximately \$200 million to \$250 million under the Keepwell Covenant during 1996. At December 31, 1995, the Company had \$6.6 million outstanding of advances from its parent, YPF, which is included in long-term debt.

The Company and YPF intend to enter into a loan agreement during 1996 to facilitate short-term loans by YPF to the Company and short-term loans by the Company to YPF of excess cash balances. It is expected that loans will be made by the parties under the loan agreement during 1996; however, the number and amounts thereof are not presently known.

#### NCTE THIRTEEN--DERIVATIVE FINANCIAL INSTRUMENTS

The Company's only derivative financial instruments are natural gas price swap agreements and crude oil and natural gas futures contracts, which are not used for trading purposes. During the nine-month period ended December 31, 1995, the Company unwound its sole interest rate swap agreement and recorded a \$2.4 million final settlement gain in other revenues. The Company also received a \$4.5 million termination payment, which has been deferred.

##### Natural Gas Price Swap Agreements

Under the price swap agreements used to hedge fluctuations in the price of natural gas, the Company receives or makes payments based on the differential between the Company's specified price and the counterparty's specified price of natural gas. Depending on the agreement, the Company pays a fixed or variable price per million British Thermal Units ("Mmbtu") and receives a fixed or variable price per Mmbtu. During the nine months ended December 31, 1995, the Company had swap agreements with other companies to exchange payments on 10.7 million Mmbtu of gas. Under these swap agreements, the Company paid fixed or variable prices averaging \$1.68 per Mmbtu and received fixed or variable prices averaging \$1.53 per Mmbtu. Gross losses realized on these swap agreements of \$2.1 million were partially offset by gross gains of \$0.5 million resulting in a net loss of \$1.6 million during the nine months ended December 31, 1995.

As of December 31, 1995, the Company has outstanding price swap agreements with other companies to exchange payments on 5.5 million Mmbtu of gas during the first quarter of 1996. Under these swap agreements, the Company will pay variable prices averaging \$2.00 per Mmbtu and receive fixed prices averaging \$1.74 per Mmbtu resulting in gross unrealized losses of \$1.4 million based on gas sales prices at period end. Actual gains and losses realized upon settlement of these price swap agreements will depend upon the variable prices received at the time of settlement.

##### Natural Gas and Crude Oil Futures Contracts

Under the natural gas futures contracts used to hedge fluctuations in the price of natural gas, the Company receives or makes payments based on the differential between the selling price and the settlement price per Mmbtu. During the nine months ended December 31, 1995, the Company settled futures contracts

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#### MAXUS ENERGY CORPORATION

##### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

with other companies on 4.9 million Mmbtu of gas. Under these futures contracts, the Company received selling prices averaging \$1.71 per Mmbtu and paid settlement prices averaging \$1.70 per Mmbtu. Realized gross gains and losses on these futures contracts were immaterial.

As of December 31, 1995, the Company had outstanding futures contracts with other companies to sell 3.6 million Mmbtu of gas. Under these futures contracts, the Company will receive selling prices averaging \$2.01 per Mmbtu and pay settlement prices averaging \$2.76 per Mmbtu resulting in gross unrealized losses of \$2.7 million based on gas prices at period end. Actual gains and losses realized upon expiration of these futures contracts will depend upon the settlement prices.

Under the crude oil futures contracts used to hedge fluctuations in the price of crude oil, the Company receives or makes payments based on the differential between the selling price and the settlement price per barrel. During the nine-month period ended December 31, 1995, crude oil volumes hedged under these futures contracts were insignificant as were gross unrealized gains and losses. The Company had no open crude oil futures contracts at December 31, 1995.

## NOTE FOURTEEN--PREFERRED STOCK

The Company has the authority to issue 100,000,000 shares of Preferred Stock, \$1.00 par value. The rights and preferences of shares of authorized but unissued Preferred Stock are established by the Company's Board of Directors at the time of issuance.

## \$9.75 Cumulative Convertible Preferred Stock

In 1987, the Company sold 3,000,000 shares of \$9.75 Preferred Stock. Since such time, the Company has entered into various agreements, most recently on June 8, 1995, with the sole holder of the \$9.75 Preferred Stock pursuant to which, among other things, the Company has repurchased 500,000 shares and the parties have waived or amended various covenants, agreements and restrictions relating to such stock. Currently, 1,250,000 shares of \$9.75 Preferred Stock are outstanding, each receiving an annual cash dividend of \$9.75. In addition, 375,000 of such shares (the "Conversion Waiver Shares") each receive an additional quarterly cash payment of \$.25 (\$.50 in certain circumstances). For the twelve month period commencing February 1, 1996, each share of the \$9.75 Preferred Stock has a liquidation value of \$100.00 (\$125.0 million in the aggregate) plus accrued dividends. Since February 1, 1994, the stock has been subject to mandatory redemption at the rate of 625,000 shares per year. The \$9.75 Preferred Stock currently is neither convertible by the holder nor redeemable at the Company's option and has no associated registration rights. The \$9.75 Preferred Stock entitles the holder to vote only on certain matters separately affecting such holder, and the \$9.75 Preferred Stock other than the Conversion Waiver Shares entitles the holder to elect one individual to the Board of Directors of the Company. In addition, pursuant to the June 8, 1995 agreement, the holder of the \$9.75 Preferred Stock waived previously granted rights to approve certain "self-dealing" transactions and certain financial covenants pertaining to the Company, and the Company waived its right of first offer with respect to the transfer of the \$9.75 Preferred Stock and certain transfer restrictions on such stock.

## \$4.00 Cumulative Convertible Preferred Stock

Each outstanding share of \$4.00 Preferred Stock is entitled to one vote, is convertible at any time into shares of the Company's Common Stock (2.29751 shares at December 31, 1995), is entitled to receive annual cash dividends of \$4.00 per share, is callable at and has a liquidation value of \$50.00 per share (\$217.8 million in the aggregate at December 31, 1995) plus accrued but unpaid dividends, if any.

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

## \$2.50 Cumulative Preferred Stock

Each outstanding share of the \$2.50 Preferred Stock is entitled to receive annual cash dividends of \$2.50 per share, is callable after December 1, 1998 at and has a liquidation value of \$25.00 per share (\$87.5 million in the aggregate at December 31, 1995) plus accrued but unpaid dividends, if any.

The holders of the shares are entitled to limited voting rights under certain conditions. In the event the Company is in arrears in the payment of six quarterly dividends, the holders of the \$2.50 Preferred Stock have the right to elect two members to the Board of Directors until such time as the dividends in arrears are current and a provision is made for the current dividends due.

## NOTE FIFTEEN--COMMON STOCK

<TABLE>  
<CAPTION>

	SHARES	AMOUNT
<S>	<C>	<C>
April 1, 1995.....	135,897,899	\$135.9
Employee Shareholding and Investment Plan.....	18,182	
Cancellation of treasury shares.....	(306,307)	(.3)
Fractional shares exchanged for cash.....	(2)	
December 31, 1995.....	135,609,772	\$135.6
	=====	=====

&lt;/TABLE&gt;

Pursuant to the offer in April 1995, YPF acquired 120,000,613 shares of Maxus Common Stock at \$5.50 per Share representing 88.5% of the then-outstanding Shares of the Company. As a result of the Merger, each outstanding Share (other than Shares held by YPF or any of their subsidiaries or in the treasury of the Company, all of which were cancelled in the second quarter of 1995, and Shares of holders who perfected their appraisal rights under Section 262 of the Delaware General Corporation Law) was converted into the right to receive \$5.50, and accordingly, the Company's common stock ceased to be publicly traded. (See Note Two).

At December 31, 1995, there were 10.0 million shares of Common Stock reserved for issuance upon conversion of Preferred Stock. However, since the Company's Common Stock is not publicly traded, there would be no market for the common shares.

In 1992, Kidder, Peabody & Co. Incorporated purchased eight million warrants from the Company. Each warrant represents the right to purchase one share of the Company's Common Stock at \$13.00 per share at any time prior to the expiration of the warrants on October 10, 1997.

The Company has an Employee Shareholding and Investment Plan ("ESIP") which allows eligible participating employees to contribute a certain percentage of their salaries (1%-10%) to a trust for investment in any of five funds. Prior to the Merger employees could also invest in a fund consisting of the Company's Common Stock. However, the Maxus Energy Stock Fund was eliminated from the ESIP plan effective April 19, 1995. The Company matches the participating employees contributions to the ESIP (up to 6% of base pay). Such matching contribution is charged against earnings and prior to April 19, 1995, was invested in the ESIP fund which consisted of the Company's Common Stock. Subsequent to April 19, 1995, the Company's matching contribution is invested in any of five funds as directed by the employee. For the nine months ended December 31, 1995, the charge against earnings for the Company's contribution was \$1.7 million.

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

## NOTE SIXTEEN--PAID-IN CAPITAL AND ACCUMULATED DEFICIT

&lt;TABLE&gt;

&lt;CAPTION&gt;

	PAID-IN CAPITAL	ACCUMULATED DEFICIT
<S>	<C>	<C>
April 1, 1995.....	\$ 118.2	
Net loss.....		\$ (73.7)
Dividends on Preferred Stock.....	(9.2)	
Cancellation of treasury shares.....	(3.2)	
Employee Shareholding and Investment Plan.....	.1	
Restricted stock.....	(.1)	
December 1, 1995.....	\$ 105.8	\$ (73.7)
	=====	=====

&lt;/TABLE&gt;

## NOTE SEVENTEEN--UNREALIZED GAIN ON INVESTMENT IN MARKETABLE SECURITIES

The amortized cost and estimated fair value of marketable securities at December 31, 1995 are as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	AMORTIZED COST	GROSS UNREALIZED GAINS	MARKET VALUE
<S>	<C>	<C>	<C>
Held-to-maturity:			
Corporate and other debt securities.....	\$ 108.4	\$2.3	\$110.7

&lt;/TABLE&gt;

At December 31, 1995, securities categorized as held-to-maturity are included in cash equivalents, short-term investments and short- and long-term restricted cash.

## NOTE EIGHTEEN--COMMON TREASURY STOCK

<TABLE>  
<CAPTION>

	SHARES	AMOUNT
	-----	-----
<S>	<C>	<C>
April 1, 1995.....	(310,535)	\$(3.6)
Restricted Stock.....	(5,660)	
Director Stock Compensation Plan.....	9,888	.1
Cancellation of Treasury Shares.....	306,307	3.5
	-----	-----
December 31, 1995.....	--	--
	=====	=====

</TABLE>

See Note Two.

## NOTE NINETEEN--STOCK OPTIONS

Two plans, a Long-Term Incentive Plan and a Director Stock Option Plan, were approved by the stockholders in 1992. The Company's 1986 and 1992 Long-Term Incentive Plans (the "Incentive Plans"), administered by the Compensation Committee of the Board of Directors, permit the grant to officers and certain key employees of stock options, stock appreciation rights ("SARs"), performance units and awards of Common Stock or other securities of the Company on terms and conditions determined by the Compensation Committee of the Board of Directors.

The Director Stock Option Plan became effective on September 1, 1992. Under this plan, non-employee directors received options to purchase shares of Common Stock on the effective date of the plan. Thereafter, upon initial election or re-election of a non-employee director at an annual meeting, the non-employee directors automatically received options to purchase shares of Common Stock. The plan terminated on June 7, 1995.

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)

The grant or exercise of an option does not result in a charge against the Company's earnings because all options have been granted at exercise prices approximating the market value of the stock at the date of grant. However, any excess of Common Stock market price over the option price of options, which includes SARs, does result in a charge against the Company's earnings; a subsequent decline in market price results in a credit to earnings, but only to a maximum of the earnings charges incurred in prior years on SARs.

Stock option activity was as follows:

<TABLE>  
<CAPTION>

	DECEMBER 31, 1995
	-----
<S>	<C>
Outstanding at April 1.....	2,190,573
Cancelled.....	(16,133)
Surrendered.....	(2,174,440)
	-----
Outstanding at December 31.....	--
	-----
Available for future grants at December 31.....	3,789,124
	-----
Performance units held for vesting at December 31.....	27,640
	-----

</TABLE>

There will be no further grants of stock options, restricted stock or performance units subsequent to April 1, 1995 under the Company's Long-Term Incentive Plans. Effective upon the Merger, all stock options and restricted stock outstanding under Company-sponsored incentive plans were surrendered to the Company. The Company anticipates replacing the Long-Term Incentive Plans in 1996.

In 1993, the Company issued performance units under the 1992 Long-Term

Incentive Plan. The performance unit entitles the grantee to the value of a share of Common Stock contingent upon the performance of the Company compared to a selected group of peer companies. The value of the performance unit is amortized over the vesting period based on a weighted probability of expected payout levels. There was no earnings activity related to performance units for the nine months period ended December 31, 1995 as outstanding performance units had no value.

#### NOTE TWENTY--LEASES

The Company leases certain machinery and equipment, facilities and office space under cancelable and noncancelable operating leases, most of which expire within 20 years and may be renewed.

Minimum annual rentals for non-cancelable operating leases at December 31, 1995, were as follows:

<TABLE>	
<S>	<C>
1996.....	\$ 39.9
1997.....	27.9
1998.....	18.9
1999.....	15.7
2000.....	11.3
December 31, 2001 and thereafter.....	63.2
	-----
	\$176.9
	=====

</TABLE>

Minimum annual rentals have not been reduced by minimum sublease rentals of \$36.9 million due in the future under noncancelable subleases.

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Rental expense for operating leases was as follows:

<TABLE>	
<CAPTION>	
	NINE MONTHS ENDED DECEMBER 31, 1995
	-----
<S>	<C>
Total rentals.....	\$44.1
Less--Sublease rental income.....	2.1
	-----
Rental expense.....	\$42.0
	=====

</TABLE>

#### NOTE TWENTY-ONE--RELATED PARTY TRANSACTIONS

A director of the Company, who is also a member of the Audit Committee of the Board of Directors, is a partner in a law firm which provides legal services to the Company. Fees for such services amounted to \$3.2 million during 1995. Additionally, the Company has \$6.6 million outstanding in advances from its parent, YPF.

#### NOTE TWENTY-TWO--COMMITMENTS AND CONTINGENCIES

Federal, state and local laws and regulations relating to health and environmental quality in the United States, as well as environmental laws and regulations of other countries in which the Company operates, affect nearly all of the operations of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish in certain circumstances remedial obligations. In addition, especially stringent measures and special provisions may be appropriate or required in environmentally sensitive foreign areas of operation, such as those in Ecuador.

Many of the Company's United States operations are subject to requirements of the Safe Drinking Water Act, the Clean Water Act, the Clean Air Act (as amended in 1990), the Occupational Safety and Health Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), and other federal, as well as state, laws. Such laws address, among other things, limits on the discharge of wastes associated with oil and gas operations, investigation and clean-up of hazardous substances, and workplace safety and health. In addition, these laws typically require compliance with associated regulations and permits and provide for the imposition of penalties for noncompliance. The Clean Air Act Amendments of 1990 may benefit the Company's business by increasing the demand for natural gas as a clean fuel.

The Company believes that its policies and procedures in the area of pollution control, product safety and occupational health are adequate to prevent unreasonable risk of environmental and other damage, and of resulting financial liability, in connection with its business. Some risk of environmental and other damage is, however, inherent in particular operations of the Company and, as discussed below, the Company has certain potential liabilities associated with former operations. The Company cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies, could in the future require material expenditures by the Company for the installation and operation of systems and equipment for remedial measures and in certain other respects. Such potential expenditures cannot be reasonably estimated.

In connection with the sale of the Company's former chemical subsidiary, Diamond Shamrock Chemicals Company ("Chemicals"), to Occidental Petroleum Corporation ("Occidental") in 1986, the Company agreed to indemnify Chemicals and Occidental from and against certain liabilities relating to the business or activities of Chemicals prior to the September 4, 1986 closing date (the "Closing Date"),

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date.

In addition, the Company agreed to indemnify Chemicals and Occidental for 50% of certain environmental costs incurred by Chemicals for which notice is given to the Company within 10 years after the Closing Date on projects involving remedial activities relating to chemical plant sites or other property used in the conduct of the business of Chemicals as of the Closing Date and for any period of time following the Closing Date, with the Company's aggregate exposure for this cost sharing being limited to \$75 million. The total expended by the Company under this cost sharing arrangement was about \$39 million as of December 31, 1995. Occidental Chemical Corporation ("OxyChem"), a subsidiary of Occidental, and Henkel Corporation ("Henkel"), an assignee of certain of Occidental's rights and obligations, have filed a declaratory judgment action in Texas state court with respect to the Company's agreement in this regard (see "Legal Proceedings").

In connection with the spin-off of Diamond Shamrock R&M, Inc., now known as Diamond Shamrock, Inc. ("DSI"), in 1987, the Company and DSI agreed to share the costs of losses (other than product liability) relating to businesses disposed of prior to the spin-off, including Chemicals. Pursuant to this cost-sharing agreement, the Company bore the first \$75 million of such costs and DSI bore the next \$37.5 million. Under the arrangement, such ongoing costs are now borne onethird by DSI and two-thirds by the Company. This arrangement will continue until DSI has borne an additional \$47.5 million, following which such costs will be borne solely by the Company. As of December 31, 1995, DSI's remaining responsibility is approximately \$8 million and is included in accounts receivable in the accompanying balance sheet.

During the nine months ended December 31, 1995, the Company spent \$5 million in environmental related expenditures in its oil and gas operations. Expenditures for the full year 1996 are expected to be approximately \$8 million.

For the nine months ended December 31, 1995, the Company's total expenditures for environmental compliance for disposed of businesses, including Chemicals, were approximately \$30 million, \$9 million of which was recovered from DSI under the above described cost-sharing agreement. Those expenditures are projected to be approximately \$23 million for the full year 1996 after



recovery from DSI under such agreement.

At December 31, 1995, reserves for the environmental contingencies discussed herein totaled \$119 million. Management believes it has adequately reserved for all environmental contingencies which are probable and can be reasonably estimated; however, changes in circumstances could result in changes, including additions, to such reserves in the future.

The insurance companies that wrote Chemicals' and the Company's primary and excess insurance during the relevant periods have to date refused to provide coverage for most of Chemicals' or the Company's cost of the personal injury and property damage claims related to environmental claims, including remedial activities at chemical plant sites and disposal sites. In two actions filed in New Jersey state court, the Company has been conducting litigation against all of these insurers for declaratory judgments that it is entitled to coverage for certain of these claims. In 1989, the trial judge in one of the New Jersey actions ruled that there is no insurance coverage with respect to the claims related to the Newark plant (discussed below). The trial court's decision was upheld on appeal and that action is now ended. The other suit, which is pending, covers disputes with respect to insurance coverage related to certain other environmental matters.

Newark, New Jersey. A consent decree, previously agreed upon by the U.S. Environmental Protection Agency (the "EPA"), the New Jersey Department of Environmental Protection and Energy (the "DEP") and Occidental, as successor to Chemicals, was entered in 1990 by the United States District Court of New Jersey and requires implementation of a remedial action plan at Chemicals' former Newark, New Jersey agricultural chemicals plant. Engineering for such plan, which will include an engineering estimate of the cost of construction, is progressing. Construction is expected to begin in 1997, cost approximately \$22 million and

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

take three to four years to complete. The work is being supervised and paid for by the Company pursuant to its above described indemnification obligation to Occidental. The Company has fully reserved the estimated costs of performing the remedial action plan and required ongoing maintenance costs.

Studies have indicated that sediments of the Newark Bay watershed, including the Passaic River adjacent to the plant, are contaminated with hazardous chemicals from many sources. Studies performed by the Company and others suggest that contaminants historically discharged by the Newark plant are buried under several feet of more recent sediment deposits and are not moving. The Company, on behalf of Occidental, negotiated an agreement with the EPA under which the Company is conducting further testing and studies to characterize contaminated sediment in a six-mile portion of the Passaic River near the plant site. The Company currently expects such testing and studies to be completed in 1999 and cost from \$4 million to \$6 million after December 31, 1995. The Company has reserved its estimate of the remaining costs to be incurred in performing these studies as of December 31, 1995. The Company has been conducting similar studies under its own auspices for several years. Until these studies are completed and evaluated, the Company cannot reasonably forecast what regulatory program, if any, will be proposed for the Passaic River or the Newark Bay watershed and therefore cannot estimate what additional costs, if any, will be required to be incurred.

Hudson County, New Jersey. Until 1972, Chemicals operated a chromium ore processing plant at Kearny, New Jersey. According to the DEP, wastes from these ore processing operations were used as fill material at a number of sites in Hudson County.

As a result of negotiations between the Company (on behalf of Occidental) and the DEP, Occidental signed an administrative consent order with the DEP in 1990 for investigation and remediation work at certain chromite ore residue sites in Kearny and Secaucus, New Jersey. The work is being performed by the Company on behalf of Occidental, and the Company is funding Occidental's share of the cost of investigation and remediation of these sites and is currently providing financial assurance for performance of the work in the form of a self-guarantee in the amount of \$20 million subject to the Company's continuing ability to satisfy certain financial tests specified by the State. This financial assurance may be reduced with the approval of the DEP following any annual cost review. While the Company has participated in the cost of studies and is implementing interim remedial actions and conducting remedial

investigations and feasibility studies, the ultimate cost of remediation is uncertain. The Company anticipates submitting its investigation and feasibility reports to the DEP in late 1996 or 1997. The results of the DEP's review of these reports could impact the cost of any further remediation that may be required. The Company has reserved its best estimate of the remaining cost to perform the investigations and remedial work as being \$50 million at December 31, 1995. In addition, the DEP has indicated that it expects Occidental and the Company to participate with the other chromium manufacturers in the funding of certain remedial activities with respect to a number of so-called "orphan" chrome sites located in Hudson County, New Jersey. Occidental and the Company have declined participation as to those sites for which there is no evidence of the presence of residue generated by Chemicals. The Governor of New Jersey issued an Executive Order requiring state agencies to provide specific justification for any state requirements more stringent than federal requirements. The DEP has indicated that it may be revising its soil action level upwards towards the higher soil screening levels proposed by the EPA in 1994.

Painesville, Ohio. From about 1912 through 1976, Chemicals operated manufacturing facilities in Painesville, Ohio. The operations over the years involved several discrete but contiguous plant sites over an area of about 1,300 acres. The primary area of concern historically has been Chemicals' former chromite ore processing plant (the "Chrome Plant"). For many years, the site of the Chrome Plant has been under the administrative control of the EPA pursuant to an administrative consent order under which Chemicals is required to maintain a clay cap over the site and to conduct certain ground water and surface water monitoring. Many other sites have previously been clay-capped and one specific site, which was a waste disposal site from the mid-1960s until the 1970s, has been encapsulated and is being controlled and monitored.

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## MAXUS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

In September 1995, the Ohio Environmental Protection Agency (the "OEPA") issued its Directors' Final Findings and Order (the "Director's Order") by consent ordering that a remedial investigation and feasibility study (the "RIFS") be conducted at the former Painesville plant area. The Company has agreed to participate in the RIFS as required by the Director's Order. It is estimated that the total cost of performing the RIFS will be \$3 million to \$5 million over the next three years. In spite of the many remedial, maintenance and monitoring activities performed, the former Painesville plant site has been proposed for listing on the National Priority List under CERCLA; however, the EPA has stated that the site will not be listed so long as it is satisfactorily addressed pursuant to the Director's Order and OEPA's programs. The Company has accrued the estimate of its share of the cost to perform the RIFS. The scope and nature of any further investigation or remediation that may be required cannot be determined at this time; however, as the RIFS progresses, the Company will continuously assess the condition of the Painesville plant site and make any changes, including additions, to its reserve as may be required.

Other Former Plant Sites. Environmental remediation programs are in place at all other former plant sites where material remediation is required in the opinion of the Company. Former plant sites where remediation has been completed are being maintained and monitored to insure continued compliance with applicable laws and regulatory programs. The Company has reserved \$6 million at December 31, 1995, related to these sites, none of which are individually material.

Third Party Sites. Chemicals has also been designated as a potentially responsible party ("PRP") by the EPA under CERCLA with respect to a number of third party sites, primarily off of Chemicals' properties, where hazardous substances from Chemicals' plant operations allegedly were disposed of or have come to be located. Numerous PRPs have been named at substantially all of these sites. At several of these, Chemicals has no known exposure. Although PRPs are almost always jointly and severally liable for the cost of investigations, cleanups and other response costs, each has the right of contribution from other PRPs and, as a practical matter, cost sharing by PRPs is usually effected by agreement among them. Accordingly, the ultimate cost of these sites and Chemicals' share of the costs thereof cannot be estimated at this time, but are not expected to be material except possibly as a result of the matters described below.

1. Fields Brook; Ashtabula, Ohio. At the time that Chemicals was sold to Occidental, Chemicals operated a chemical plant at Ashtabula, Ohio which is adjacent to Fields Brook. Occidental has continued to operate the Ashtabula

plant. In 1986, Chemicals was formally notified by the EPA that it was a PRP for the Fields Brook site. The site is defined as Fields Brook, its tributaries and surrounding areas within the Fields Brook watershed. At least 15 other parties are presently considered to be financially responsible PRPs. In 1986, the EPA estimated the cost of sediment remediation at the site would be \$48 million. The PRPs, including Occidental, have developed an allocation agreement for sharing the costs of the work in Fields Brook ordered by the EPA. Under the allocation, the Occidental share for Chemicals' ownership of the Ashtabula plant would be about five percent of the total, assuming all viable PRPs were to participate.

In 1990, the OEPA, as state trustee for natural resources under CERCLA, advised previously identified PRPs, including Chemicals, that the OEPA intended to conduct a Natural Resource Damage Assessment of the Fields Brook site to calculate a monetary value for injury to surface water, groundwater, air, and biological and geological resources at the site. Also, although Fields Brook empties into the Ashtabula River which flows into Lake Erie, it is not known to what extent, if any, the EPA will propose remedial action beyond Fields Brook for which the Fields Brook PRPs might be asked to bear some share of the costs. Until all preliminary studies and necessary governmental actions have been completed and negotiated or judicial allocations have been made, it is not possible for the Company to estimate what the response costs, response activities or natural resource damages, if any, may be for Fields Brook or related areas, the parties responsible therefore or their respective shares.

It is the Company's position that costs attributable to the Ashtabula plant fall under the Company's above-described cost sharing arrangement with Occidental under which the Company bears one-half of

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#### MAXUS ENERGY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)

certain costs up to an aggregate dollar cap. Occidental, however, has contended that it is entitled to full indemnification from the Company for such costs, and the outcome of this dispute cannot be predicted. The Company has reserved its estimate of its share of potential cleanup costs based on the assumption that this site falls under the Occidental cost sharing arrangement.

2. French Limited Disposal Site; Crosby, Texas. The PRPs, including Chemicals (represented by the Company), entered into a consent decree and a related trust agreement with the EPA with respect to this disposal site. The consent decree was entered by the federal court as a settlement of the EPA's claim for remedial action. Chemical's share of the cost to complete remediation at this site at December 31, 1995, is expected to be approximately \$500,000 and such amount is fully accrued.

3. SCP/Carlstadt Site; Carlstadt, New Jersey. Chemicals' share of remediation costs at this CERCLA site would be approximately one percent, based on relative volume of waste shipped to the site. An interim remedy has now been implemented at the site by the PRPs but no estimate can be made at this time of ultimate costs of remediation which may extend to certain off-site locations.

4. Chemical Control Site; Elizabeth, New Jersey. The DEP has demanded of PRPs (including Chemicals) reimbursement of the DEP's alleged \$34 million (including interest through December 31, 1995) in past costs for its partial cleanup of this site. The PRPs and the EPA have settled the federal claims for cost recovery and site remediation, and remediation is now complete. Based on the previous allocation formula, it is expected that Chemicals' share of any money paid to the DEP for its claim would be approximately two percent. The Company has fully reserved its estimated liability for this site.

Legal Proceedings. In November 1995, OxyChem filed suit in Texas state court seeking a declaration of certain of the parties' rights and obligations under the sales agreement pursuant to which the Company sold Chemicals to Occidental. Henkel joined in said lawsuit as a plaintiff in January 1996. Specifically, OxyChem and Henkel are seeking a declaration that the Company is required to indemnify them for 50% of certain environmental costs incurred on projects involving remedial activities relating to chemical plant sites or other property used in connection with the business of Chemicals on the Closing Date which relate to, result from or arise out of conditions, events or circumstances discovered by OxyChem or Henkel and as to which the Company is provided written notice by OxyChem or Henkel prior to the expiration of ten years following the Closing Date, irrespective of when OxyChem or Henkel incurs and gives notice of such costs, subject to an aggregate \$75 million cap. The Company believes that this lawsuit is without merit and intends to defend same vigorously. The Company has established reserves based on its 50% share of costs expected to be paid or

incurred by OxyChem and Henkel prior to September 1996.

As of December 31, 1995, the Company had paid OxyChem and Henkel a total of approximately \$39 million against said \$75 million cap. The Company cannot predict what portion of the approximately \$36 million remaining as of that date Occidental and Henkel may actually pay or incur prior to September 4, 1996, the tenth anniversary of the Closing Date if they accelerate spending with regard to such environmental costs; however, the Company has approximately \$7 million reserved at December 31, 1995, based on 50% of OxyChem's and Henkel's historical annual expenditures. In the event OxyChem and Henkel prevail in this lawsuit, the Company could be required to provide up to approximately \$29 million in additional reserves related to this indemnification.

The Company has established reserves for legal contingencies in situations where a loss is probable and can be reasonably estimated.

In Ecuador, pipeline capacity available to the Company is sufficient to transport only about 60% of the oil the Company expects to be able to produce daily, and none of the various projects to increase transportation capacity that have been considered has been approved by the government of Ecuador. In addition, the Company is involved in a number of contract, auditing and certification disputes with various government entities. Together, the lack of pipeline capacity and the various disputes with government entities are retarding

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#### MAXUS ENERGY CORPORATION

##### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

the Company's ability to proceed with the economic development of Block 16. Although the Company can give no assurances concerning the outcome of these discussions, progress has recently been made on several important issues. The Company intends to reduce program spending in Ecuador in 1996 to \$19 million from \$32 million in 1995.

##### NOTE TWENTY-THREE---SUBSEQUENT EVENTS

In January 1996, the Company and its partners were successful in acquiring the highly prospective Guarapiche block in Venezuela's first auction awards for equity production in over 20 years. Guarapiche is located on the same trend as the five billion barrel El Furrial field in northeastern Venezuela. The Company, together with its partners, paid \$109 million (\$27 million net to Maxus) to the Venezuelan government for rights to explore the Guarapiche block. BP Exploration Orinoco Limited is the operator with a 37.5% working interest while Amoco Production Company and the Company hold the remaining 37.5% and 25%, respectively. The Company's net exploration commitment for this block is anticipated to total approximately \$15 million over the next five years.

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#### FINANCIAL SUPPLEMENTARY INFORMATION (Unaudited)

DATA IS FOR THE NINE MONTHS ENDED DECEMBER 31, 1995. THE DOLLAR AMOUNTS IN TABLES ARE IN MILLIONS, EXCEPT PER SHARE)

##### OIL AND GAS PRODUCING ACTIVITIES

The following are disclosures about the oil and gas producing activities of the Company as required by Statement of Financial Accounting Standards No. 69 ("SFAS 69").

##### Results of Operations

Results of operations for the nine months ended December 31, 1995 from all oil and gas producing activities are shown below. These results exclude revenues and expenses related to the purchase of natural gas and the subsequent processing and resale of such natural gas plus the sale of natural gas liquids extracted therefrom.

<TABLE>

<CAPTION>

	UNITED STATES	INDONESIA	SOUTH AMERICA	OTHER FOREIGN	WORLDWIDE
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>

Sales.....	\$ 75.4	\$ 298.3	\$ 36.5		\$ 410.2
Production costs.....	21.2	114.5	21.5		157.2
Exploration costs.....	10.8	18.0	6.9	\$ 15.5	51.2
Depreciation, depletion and amortization.....	48.8	67.7	20.8	.2	137.5
Gain on sale of assets.....	(.1)				(.1)
Other.....	8.5(a)	9.4	(1.2)	(.1)	16.6
	89.2	209.6	48.0	15.6	362.4
Income (loss) before tax provision.....	(13.8)	88.7	(11.5)	(15.6)	47.8
Provision (benefit) for income taxes.....		43.5	(12.7)		30.8
Results of operations.....	\$(13.8)	\$ 45.2	\$ 1.2	\$ (15.6)	\$ 17.0

&lt;/TABLE&gt;

(a) Includes United States gathering and processing costs related to sales. Such costs were \$9.1 million for the nine months ended December 31, 1995.

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## CAPITALIZED COSTS

Included in properties and equipment are capitalized amounts applicable to the Company's oil and gas producing activities. Such capitalized amounts include the cost of mineral interests in properties, completed and incomplete wells and related support equipment. In addition, the Company's gas plants that process not only the Company's gas but also third party gas, has been included in capitalized costs. Approximately 52% of the volumes processed through the Company's gas plants is the Company's gas. Only the revenue and cost related to the Company's produced gas is included in results of operations and costs incurred. Capitalized costs at December 31, 1995 were:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	UNITED STATES	INDONESIA	SOUTH AMERICA	OTHER FOREIGN	WORLDWIDE
<S>	<C>	<C>	<C>	<C>	<C>
Proved properties:					
Wells and related equipment and facilities.....	\$501.6	\$ 704.0	\$307.0		\$1,512.6
Support equipment and facilities.....	128.7				128.7
Uncompleted well, equipment and facilities.....	11.0	18.6	50.5		80.1
Unproved properties.....	79.9	435.3	252.3	\$ 1.3	768.8
	721.2	1,157.9	609.8	1.3	2,490.2
Less-Accumulated depreciation, depletion and amortization....	50.4	67.7	20.9	.2	139.2
	\$670.8	\$1,090.2	\$588.9	\$ 1.1	\$2,351.0

&lt;/TABLE&gt;

## COSTS INCURRED

Costs incurred by the Company in its oil and gas producing activities for the nine months ended December 31, 1995 (whether capitalized or charged against earnings) were as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	UNITED STATES	INDONESIA	SOUTH AMERICA	OTHER FOREIGN	WORLDWIDE
<S>	<C>	<C>	<C>	<C>	<C>
Property acquisition costs.....	\$ 2.1				\$ 2.1
Exploration costs.....	10.1	\$ 19.8	\$ 7.6	\$15.7	53.2
Development costs.....	37.5	44.2	28.2	.3	110.2

-----	-----	-----	-----	-----
\$ 49.7	\$ 64.0	\$ 35.8	\$16.0	\$ 165.5
=====	=====	=====	=====	=====

&lt;/TABLE&gt;

## Oil and Gas Reserves

The following table represents the Company's net interest in estimated quantities of developed and undeveloped reserves of crude oil, condensate, natural gas liquids and natural gas and changes in such quantities for the nine months ended December 31, 1995. Net proved reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are proved reserve volumes that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are proved reserve volumes that are expected to be recovered from new wells on undrilled acreage or from existing wells where a significant expenditure is required for recompletion.

Estimates of reserves for December 31, 1995 were prepared by Gaffney, Cline & Associates, petroleum engineers, using standard geological and engineering methods generally accepted by the petroleum industry and in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). The choice of method or combination of methods employed in the analysis of each reservoir was determined by experience in the area, stage of development, quality and completeness of basic data, and production history.

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There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures, including many factors beyond the control of the producer. Reserve engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates of different engineers often vary. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revision of such estimate. Accordingly, reserve estimates are often different from the quantities of crude oil and natural gas that are ultimately recovered. The meaningfulness of such estimates is highly dependent upon the accuracy of the assumption upon which they were based. The reserve estimates were subjected to economic tests to determine economic limits. The estimates may change as a result of numerous factors including, but not limited to, additional development activity, evolving production history, and continued reassessment of the viability of production under varying economic conditions.

&lt;TABLE&gt;

&lt;CAPTION&gt;

CRUDE OIL	DECEMBER 31, 1995			
	UNITED STATES	INDONESIA	SOUTH AMERICA	TOTAL
		(MILLIONS OF BARRELS)		
<\$>	<C>	<C>	<C>	<C>
Net Proved Developed and Undeveloped Reserves				
Beginning of period, March 31, 1995.....	3.7	154.1	66.3	224.1
Revisions of previous estimates.....	.2	(2.6) (a)	(4.5)	(6.9)
Purchase of reserves in place.....				
Extensions, discoveries and other additions.....	.5	7.1 (a)	2.7	10.3
Production.....	(.3)	(14.5)	(3.4) (c)	(18.2)
Sales of reserves in place.....				
End of period.....	4.1	144.1	61.1	209.3
Net Proved Developed Reserves				
Beginning of period.....	2.8	136.8	14.0	153.6
End of period.....	3.6	128.1	32.8	164.5

&lt;/TABLE&gt;

&lt;TABLE&gt;

&lt;CAPTION&gt;

DECEMBER 31, 1995

NATURAL GAS(B)	UNITED STATES	INDONESIA	TOTAL
(BILLIONS OF CUBIC FEET)			
<S>	<C>	<C>	<C>
Net Proved Developed and Undeveloped Reserves			
Beginning of period, March 31, 1995.....	505	300	805
Revisions of previous estimates.....	7	18	25
Purchase of reserves in place.....			
Extensions, discoveries and other additions.....	94	14	108
Production.....	(36)	(19)	(55)
Sales of reserves in place.....			
End of period.....	570	313	883
Net Proved Developed Reserves			
Beginning of period.....	373	103	476
End of period.....	449	138	587

&lt;/TABLE&gt;

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&lt;TABLE&gt;

&lt;CAPTION&gt;

DECEMBER 31, 1995			
NATURAL GAS LIQUIDS	UNITED STATES	INDONESIA	TOTAL
(MILLIONS OF BARRELS)			
<S>	<C>	<C>	<C>
Net Proved Developed and Undeveloped Reserves			
Beginning of period, March 31, 1995.....	36.1	9.3	45.4
Revisions of previous estimates.....	1.5	.1	1.6
Purchase of reserves in place.....			
Extensions, discoveries and other additions.....	7.4		7.4
Production.....	(2.4)	(.4)	(2.8)
End of period.....	42.6	9.0	51.6
Net Proved Developed Reserves Beginning of period.....	28.9	3.1	32.0
End of period.....	33.4	4.3	37.7

&lt;/TABLE&gt;

- - - - -

- (a) The changes reflect the impact of the change in the price of crude oil on the barrels to which the Company is entitled under the terms of the Indonesian production sharing contracts. The Indonesian production sharing contracts allow the Company to recover tangible production and exploration costs, as well as operating costs. As the price of crude oil fluctuates, the Company is entitled to more or less barrels of cost recovery oil. Increasing prices resulted in a decrease of 9.9 million barrels in 1995.
- (b) Natural gas is reported on the basis of actual or calculated volumes which remain after removal, by lease or field separation facilities, of liquefiable hydrocarbons and of non-hydrocarbons where they occur in sufficient quantities to render the gas unmarketable. Natural gas reserve volumes include liquefiable hydrocarbons approximating 11% of total gas reserves in the United States and 4% in Indonesia which are recoverable at natural gas processing plants downstream from the lease or field separation facilities. Such recoverable liquids also have been included in natural gas liquids reserve volumes.
- (c) Reserves in Venezuela are attributable to an operating service agreement under which all hydrocarbons are owned by the Venezuelan government, however, the Company receives payment for production and development services performed based on production.

#### Future Net Cash Flows

The standardized measure of discounted future net cash flows relating to the Company's proved oil and gas reserves as of December 31, 1995 is calculated and presented in accordance with Statement of Financial Accounting Standards No. 69. Accordingly, future cash inflows were determined by applying year-end oil and gas prices (adjusted for future fixed and determinable price changes) to the Company's estimated share of future production from proved oil and gas reserves. Future income taxes were derived by applying year-end statutory tax rates to the

estimated net future cash flows. A prescribed 10% discount factor was applied to the future net cash flows.

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In the Company's opinion, this standardized measure is not a representative measure of fair market value, and the standardized measure presented for the Company's proved oil and gas reserves is not representative of the reserve value. The standardized measure is intended only to assist financial statement users in making comparisons between companies.

&lt;TABLE&gt;

&lt;CAPTION&gt;

	UNITED STATES	INDONESIA	SOUTH AMERICA	WORLDWIDE
<S>	<C>	<C>	<C>	<C>
Future cash flows.....	\$1,161.0	\$ 3,461.9	\$ 822.5	\$ 5,445.4
Future production costs.....	(331.2)	(2,004.7)	(221.3)	(2,557.2)
Future development costs.....	(70.6)	(288.2)	(122.3)	(481.1)
Future net cash flows, before income taxes.....	759.2	1,169.0	478.9	2,407.1
Discount for estimated timing of future cash flows.....	(342.9)	(459.4)	(200.0)	(1,002.3)
Present value of future net cash flows, before income taxes....	416.3	709.6	278.9	1,404.8
Future income taxes, discounted at 10% (a).....	(67.8)	(321.7)	(34.3)	(423.8)
Standardized measure of discounted future net cash flows.....	\$ 348.5	\$ 387.9	\$ 244.6	\$ 981.0

&lt;/TABLE&gt;

- - - - -

(a) Future income taxes undiscounted are \$161.6 for the United States, \$508.2 for Indonesia and \$57.1 for South America at December 31, 1995.

The following are the principal sources for change in the standardized measure:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	1995
<S>	<C>
January 1, 1995.....	\$ 929.8
Sales and transfers of oil and gas produced, net of production costs.....	(322.7)
Net changes in prices and production costs, net of future production and development costs.....	99.6
Extensions, discoveries and improved recovery, less related costs.....	79.5
Development costs incurred during the year that reduced future development costs.....	140.6
Revisions of previous quantity estimates.....	51.5
Purchase of reserves in place.....	16.3
Sale of reserves in place.....	(.1)
Net change in income taxes.....	(42.8)
Accretion of discount.....	131.1
Changes in production rates (timing) and other.....	(101.8)
December 31, 1995.....	\$ 981.0

&lt;/TABLE&gt;

The principle sources for change in the standardized measure are presented for the year-ended December 31, 1995, rather than the nine months period ended December 31, 1995, as reserve reports from which this information is derived are only prepared on an annual basis.

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## Quarterly Data

<TABLE>  
<CAPTION>

1995					
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,	NINE MONTHS ENDED DECEMBER 31,
<S>	<C>	<C>	<C>	<C>	<C>
Sales and operating revenues.....	\$ 142.5	\$150.7	\$ 141.8	\$171.3	\$463.8
Gross profit(a).....	35.2	34.3	24.5	48.0	106.8
Net loss.....	(56.9)	(23.0)	(28.1)	(22.6)	(73.7)
Per Common Share					
Net loss.....	(.49)	(.24)	(.28)	(.24)	(.76)
Market price per share:					
Common					
High.....	529/32	5 1/2			
Low.....	3	5 3/8			
\$4.00 Preferred					
High.....	38 1/4	41	40 1/2	44 3/4	44 3/4
Low.....	30	32 1/2	38	38	32 1/2
\$2.50 Preferred					
High.....	21 3/4	24 1/4	25 5/8	26 1/8	26 1/8
Low.....	1745/64	19 1/8	23 5/8	17 5/8	17 5/8

</TABLE>

<TABLE>  
<CAPTION>

1994					
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,	FOR THE YEAR
<S>	<C>	<C>	<C>	<C>	<C>
Sales and operating revenues.....	\$ 187.1	\$167.5	\$ 170.2	\$157.3	\$682.1
Gross profit(a)(b).....	41.2	42.0	54.7	44.3	182.2
Net income (loss).....	(11.2)	30.1	(16.0)	(25.6) (c)	(22.7)
Per Common Share					
Net income (loss).....	(.17)	.13	(.19)	(.26)	(.49)
Market price per share:					
Common					
High.....	5 7/8	5 1/4	5 7/8	4 3/4	5 7/8
Low.....	4 1/8	4 1/8	4 1/2	3 1/4	3 1/4
\$4.00 Preferred					
High.....	45 3/4	41 1/8	40 1/2	37 3/4	45 3/4
Low.....	39	33 5/8	37	30 1/8	30 1/8
\$2.50 Preferred					
High.....	25 3/4	23 1/4	23 3/8	22 3/4	25 3/4
Low.....	21 1/4	20	21 3/4	17 1/2	17 1/2

</TABLE>

(a) Gross profit is sales and operating revenues less purchases and operating expenses, gas purchase costs and depreciation, depletion and amortization.

(b) Gross profit has been restated to conform to the 1995 presentation.

(c) In the fourth quarter of 1994, the Company increased its reserve for future environmental liabilities by \$49.0 million.

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## EXPLORATION AND PRODUCTION STATISTICS (historic)

<TABLE>  
<CAPTION>

	NINE MONTHS ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1995	1994	1993	1992	1991
<S>	<C>	<C>	<C>	<C>	<C>	<C>
NET PROVED OIL RESERVES (millions of barrels)						
United States	4.1	3.7	3.4	12.3	12.2	14.
Indonesia	144.1	154.1	158.9	180.1	155.2	162.
South America	61.1	66.3	67.0	71.6	53.1	27.

Worldwide Total	209.3	224.1	229.3	264.0	220.5	204.
NET PROVED NATURAL GAS RESERVES (billions of cubic feet)						
United States	570	505	492	679	584	63
Indonesia	313	300	303	262	245	3
Worldwide Total	883	805	795	941	829	67
NET OIL SALES (mbpd)						
United States	1.1	1.0	2.4	4.9	5.7	9.
Indonesia	53.0	52.0	59.3	62.4	61.9	67.
South America	10.4	6.9	5.2			
Worldwide Total	64.5	59.9	66.9	67.3	67.6	77.
AVERAGE OIL SALES PRICE (per bbl)						
United States	\$16.29	\$16.07	\$13.89	\$16.99	\$18.28	\$19.4
Indonesia	17.01	17.54	15.61	17.31	18.40	19.5
South America	12.79	12.58	12.58			
Worldwide Average	16.31	16.94	15.31	17.28	18.39	19.5
NET NATURAL GAS SALES (mmcfpd)						
United States produced	104	98	131	181	200	20
United States purchased for processing	68	69	77	86	51	4
United States purchased for resale			67	98	29	1
Indonesia	61	40	44	13	8	
Worldwide Total	233	207	319	378	288	27
AVERAGE NATURAL GAS SALES PRICE (per mcf)						
United States produced	\$ 1.54	\$ 1.42	\$ 1.89	\$ 2.13	\$ 1.80	\$ 1.6
United States purchased for processing	1.42	1.49	1.81	1.91	1.62	1.4
United States purchased for resale			2.00	2.06	1.84	1.5
Indonesia	2.62	2.65	2.24	1.30	.20	.2
Worldwide Average	1.79	1.68	1.99	2.03	1.73	1.5
UNITED STATES NGL SALES (mbpd)						
Produced	8.7	8.8	8.2	7.6	8.9	8.
Purchased	8.9	9.6	9.7	9.8	9.0	7.
United States Total	17.6	18.4	17.9	17.4	17.9	16.
UNITED STATES AVERAGE NGL SALES PRICE (per bbl)						
Produced	\$10.42	\$10.27	\$10.02	\$11.08	\$11.51	\$12.1
Purchased	10.57	10.48	10.12	11.19	11.13	12.0
United States Average	10.49	10.38	10.07	11.14	11.32	12.1
INDONESIAN NGL SALES (mbpd)	1.7	.9	2.1	1.5	1.6	1.
INDONESIAN AVERAGE NGL SALES PRICE (per bbl)	\$14.33	\$19.19	\$ 9.42	\$10.57	\$11.93	\$10.3
NET NATURAL GAS PRODUCTION (mmcfpd)						
United States	130	125	156	208	227	23
Indonesia	70	45	47	13	13	1
Worldwide Total	200	170	203	221	240	24
GROSS CRUDE OIL PRODUCTION (mbpd)						
Indonesia	232	250	259	270	294	32
South America	40	32	16			

&lt;/TABLE&gt;

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## INDEX TO EXHIBITS

&lt;TABLE&gt;

&lt;CAPTION&gt;

EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
<C>	<S>	<C>
3(i)	--Restated Certificate of Incorporation of the Company (Exhibit 3(i).2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).*	
3(ii)	--By-Laws of the Company (Exhibit 3(ii).2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995).*	
4.1	--Indenture dated as of April 1, 1978 between Diamond Shamrock Corporation ("Diamond") and Mellon Bank, N.A. relating to Diamond's \$150,000,000 8 1/2% Sinking Fund Debentures due April 1, 2008 (Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992 [the "1992 Form 10-K"])*.	
4.2	--First Supplemental Indenture dated as of January 26, 1984 among the Company, Diamond Shamrock Chemicals Company ("Chemicals") and Mellon Bank, N.A. supplementing the Indenture described in Exhibit 4.1 above (Exhibit 4.2 to the 1992 Form 10-K).*	

- 4.3 --Tri Party Agreement dated January 24, 1993 appointing Chemical Bank as successor trustee under the Indenture described in Exhibit 4.1 above (Exhibit 4.3 to the Company's Current Report on Form 8-K dated January 12, 1994 [the "January 12 Form 8-K"]).\*
- 4.4 --Indenture dated as of May 1, 1983 between Diamond and The Bank of New York, successor in interest to NationsBank of Texas, N.A., successor trustee to Mellon Bank, N.A. relating to unspecified Debt Securities of Diamond (Exhibit 4.4 to the 1992 Form 10-K).\*
- 4.5 --Resolutions of the Board of Directors of Diamond supplementing the Indenture described in Exhibit 4.4 above and establishing terms and conditions of Diamond's \$150,000,000 11 1/4% Sinking Fund Debentures due May 1, 2013 (Exhibit 4.5 to the 1992 Form 10-K).\*
- 4.6 --First Supplemental Indenture dated as of January 26, 1984 among the Company, Chemicals and Mellon Bank, N.A. supplementing the Indenture and the resolutions described in Exhibits 4.4 and 4.5, respectively, above (Exhibit 4.6 to the 1992 Form 10-K).\*
- 4.7 --Tri Party Agreement dated January 12, 1994 appointing NationsBank of Texas, N.A. as successor trustee under the Indenture described in Exhibit 4.4 above (Exhibit 4.1 to the January 12 Form 8-K).\*
- 4.8 --Indenture dated as of November 1, 1985 between the Company and The Bank of New York, successor in interest to NationsBank of Texas, N.A., successor trustee to Mellon Bank, N.A. relating to unspecified Debt Securities of the Company (Exhibit 4.8 to the 1992 Form 10-K).\*
- 4.9 --Resolutions of an ad hoc committee of the Board of Directors of the Company supplementing the Indenture described in Exhibit 4.8 above and establishing terms and conditions of the Company's \$150,000,000 11 1/2% Sinking Fund Debentures due November 15, 2015 (Exhibit 4.9 to the 1992 Form 10-K).\*
- 4.10 --Tri Party Agreement dated January 12, 1994 appointing NationsBank of Texas, N.A. as successor trustee under the Indenture described in Exhibit 4.8 above (Exhibit 4.2 to the January 12 Form 8-K).\*

&lt;/TABLE&gt;

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&lt;TABLE&gt;

&lt;CAPTION&gt;

EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
<C>	<S>	<C>
4.11	--Indenture dated as of April 1, 1988 between the Company and Chemical Bank relating to unspecified debt securities of the Company (Exhibit 4.11 to the 1992 Form 10-K).*	
4.12	--Officers' Certificate dated June 1, 1988 establishing a series of debt securities (\$150,000,000 Medium-Term Notes, Series A) to be issued under the Indenture described in Exhibit 4.11 above (Exhibit 4.12 to the 1992 Form 10-K).*	
4.13	--Indenture dated as of November 1, 1990 between the Company and Chemical Bank relating to unspecified debt securities of the Company (Exhibit 4.13 to the 1992 Form 10-K).*	
4.14	--Officers' Certificate dated February 13, 1991 establishing a series of debt securities (\$150,000,000 Medium-Term Notes, Series B) to be issued under the Indenture described in Exhibit 4.13 above (Exhibit 4.14 to the 1992 Form 10-K).*	
4.15	--Officers' Certificate dated September 28, 1992 establishing a series of debt securities (\$250,000,000 9 7/8% Notes Due 2002) to be issued under the Indenture described in Exhibit 4.13 above (Exhibit 4.15 to the 1992 Form 10-K).*	
4.16	--Officers' Certificate dated January 26, 1993 establishing a series of debt securities (\$100,000,000 9 1/2% Notes Due 2003) to be issued under the Indenture described in Exhibit 4.13 above (Exhibit 4.16 to the 1992 Form 10-K).*	
4.17	--Officer's Certificate dated June 30, 1993 establishing a series of debt securities (\$150,000,000 Medium-Term Notes, Series C) to be issued under the Indenture described in Exhibit 4.13 above (Exhibit 4 to the Company's Current Report on Form 8-K dated June 21, 1993).*	
4.18	--Officer's Certificate dated October 27, 1993 establishing a series of debt securities (\$200,000,000 9 3/8% Notes due 2003) to be issued under the Indenture described in Exhibit 4.13 above (Exhibit 4 to the Company's Current Report on Form 8-K dated October 20, 1993).*	
4.19	--Officer's Certificate dated January 18, 1994 establishing a series of debt securities (\$60,000,000 9 3/8% Notes due 2003) to be issued under the Indenture described in Exhibit 4.13 (Exhibit 4 to the Company's Current Report on Form 8-K dated January 10, 1994).*	
4.20	--Preferred Stock Purchase Agreement dated February 1, 1987 (the "Preferred Stock Purchase Agreement") between the Company and The Prudential Insurance Company of America ("Prudential") (Exhibit 4.17 to the 1992 Form 10-K).*	

- 4.21 --Amendment dated February 8, 1987 to the Preferred Stock Purchase Agreement (Exhibit 4.18 to the 1992 Form 10-K).\*
- 4.22 --Registration Rights Agreement dated as of February 1, 1987 between the Company and Prudential (Exhibit 4.19 to the 1992 Form 10-K).\*
- 4.23 --Agreement dated April 12, 1990 amending the Preferred Stock Purchase Agreement (Exhibit 4.20 to the 1992 Form 10-K).\*
- 4.24 --Waiver of Certain Rights Relating to \$9.75 Preferred Stock dated June 5, 1990 between the Company and Prudential (Exhibit 4.21 to the 1992 Form 10-K).\*
- 4.25 --Waiver of Certain Equity Offering Rights dated April 12, 1990 between the Company and Prudential amending the Preferred Stock Purchase Agreement (Exhibit 4.22 to the 1992 Form 10-K).\*

&lt;/TABLE&gt;

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&lt;TABLE&gt;

&lt;CAPTION&gt;

EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
<C>	<S>	<C>
4.26	--Agreement dated February 28, 1995 between Prudential and the Company (Exhibit 2 to the Company's Schedule 14D-9 dated March 3, 1995 [the "Schedule 14D-9"]).*	
4.27	--Waiver of Certain Rights Relating to \$9.75 Preferred Stock dated June 8, 1995 between Prudential and the Company, filed herewith.	
4.28	--Warrant Certificate No. 1 dated October 10, 1992 issued to Kidder, Peabody Group Inc. for 8,000,000 warrants each representing the right to purchase from the Company on or prior to October 10, 1997 one share of common stock, \$1.00 par value, of the Company at a price of \$13.00 per share (Exhibit 4.23 to the 1992 Form 10-K).*	
4.29	--Registration Rights Agreement dated as of October 10, 1992 between Kidder, Peabody Group Inc. and the Company (Exhibit 4.24 to the 1992 Form 10-K).*	
4.30	--Agreement of Merger, dated February 28, 1995, among the Company, YPF Sociedad Anonima ("YPF") and YPF Acquisition Corp. ("YPFA") (Exhibit 3 to the Schedule 14D-9).*	
4.31	--Credit Agreement dated as of June 8, 1995, between Midgard Energy Company, the lenders signatory thereto and The Chase Manhattan Bank (National Association) ("Chase"), as agent (Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 8, 1995 [the "June 8, 1995 Form 8-K"]).*	
4.32	--Credit Agreement dated as of June 16, 1995, between Maxus Indonesia, Inc., Maxus Northwest Java Inc., Maxus Southeast Sumatra, Inc., the lenders signatory thereto and Chase, as agent (Exhibit 4.2 to the June 8, 1995 Form 8-K).*	
10.1	--Performance Incentive Plan of the Company, as amended effective January 1, 1986 (Exhibit 10.6 to the 1992 Form 10-K).*	
10.2	--Specimen copy of Change of Control Agreement between the Company and certain of its former its executive officers (Exhibit 10.7 to the 1992 Form 10-K).*	
10.3	--Specimen copy of letter agreement between the Company and certain of its former executive officers relating to the Agreements referred to in Exhibit 10.2 above (Exhibit 10.8 to the 1992 Form 10-K).*	
10.4	--Specimen copy of disability benefit arrangement between the Company and its executive officers (Exhibit 10.10 to the 1992 Form 10-K).*	
10.5	--Supplemental Executive Retirement Plan of the Company, effective May 1, 1987 (Exhibit 10.11 to the 1992 Form 10-K).*	
10.6	--Supplemental Executive Retirement Plan of the Company, effective March 1, 1990 (Exhibit 10.12 to the 1992 Form 10-K).*	
10.7	--Specimen copy of supplemental death benefit arrangement between the Company and its executive officers (Exhibit 10.13 to the 1992 Form 10-K).*	
10.8	--Maxus Energy Corporation Supplemental Savings Plan (as amended and restated effective June 8, 1995), filed herewith.	
10.9	--Trust Agreement dated December 18, 1986 between the Company and AmeriTrust Company National Association (Exhibit 10.15 to the 1992 Form 10-K).*	
10.10	--Deferred Compensation Plan for Executives of the Company, effective September 28, 1993 (Exhibit 10.17 to the 1993 Form 10-K).*	
10.11	--Distribution Agreement dated as of April 22, 1987 between the Company and Diamond Shamrock R&M, Inc. (Exhibit 10.23 to the 1992 Form 10-K).*	

&lt;/TABLE&gt;

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&lt;TABLE&gt;

&lt;CAPTION&gt;

SEQUENTIALLY

EXHIBIT NO.	DESCRIPTION	NUMBERED PAGE
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10.12	--Rights Agreement dated as of September 2, 1988 between the Company and Ameritrust Company National Association (Exhibit 10.24 to the 1992 Form 10-K).*	
10.13	--Stock Purchase Agreement by and among the Company and Occidental Petroleum Corporation, et. al. dated September 4, 1986 (Exhibit 10.25 to the 1992 Form 10-K).*	
10.14	--Agreement of Merger dated as of February 28, 1995 among YPF, YPFA Corp. and the Company (Exhibit 3 to the Schedule 14D-9).*	
10.15	--International Consulting Agreement, dated May 1, 1995 between C. L. Blackburn and YPF, filed herewith.	
10.16	--Assignment of International Consulting Agreement, dated November 2, 1995 between C. L. Blackburn, YPF, and the Company, filed herewith.	
10.17	--Maxus Severance Agreement dated August 3, 1995 between the Company and Roberto Luis Monti, filed herewith.	
10.18	--Compensation Agreement dated December 27, 1995 between the Company and Roberto L. Monti, filed herewith.	
10.19	--Services Agreement dated April 5, 1995 between the Company and Peter D. Gaffney, filed herewith.	
10.20	--Secondment Agreement dated April 5, 1995 between the Company, YPF and Gaffney, Cline & Associates, Inc., filed herewith.	
10.21	--Amendment to Change in Control Agreement dated May 11, 1995 between the Company and W. Mark Miller, filed herewith.	
10.22	--Employment Agreement effective as of July 1, 1995 between the Company and W. Mark Miller, filed herewith.	
10.23	--Specimen copy of a letter agreement regarding Change in Control Agreement dated April 7, 1995 between the Company and certain of its executive officers, filed herewith.	
10.24	--Letter Agreement regarding Change in Control Agreement dated April 13, 1995 between the Company and Michael C. Forrest, filed herewith.	
10.25	--Specimen copy of a letter agreement regarding Change in Control Agreement dated -----, 1995 between the Company and certain of its executive officers, filed herewith.	
21.1	--List of Subsidiaries of the Company, filed herewith.	
23.1	--Consent of Independent Accountants, filed herewith.	
23.2	--Consent of Independent Accountants, filed herewith.	
24.1	--Powers of Attorney of directors and officers of the Company, filed herewith.	
24.2	--Power of Attorney of the Company, filed herewith.	
27.1	--Financial Data Schedule, filed herewith.	
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<TYPE>EX-4.27		
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EXHIBIT 4.27

WAIVER OF CERTAIN RIGHTS RELATING TO  
\$9.75 PREFERRED STOCK

THIS WAIVER OF CERTAIN RIGHTS RELATING TO \$9.75 PREFERRED STOCK (the "Waiver") is executed by The Prudential Insurance Company of America, a New Jersey corporation ("Prudential"), and Maxus Energy Corporation, a Delaware corporation (the "Company"), dated as of this 8th day of June, 1995.

RECITALS

A. Prudential and Maxus entered into a Preferred Stock Purchase Agreement dated February 1, 1987, providing for the issuance to Prudential of 3,000,000 shares (the "Shares") of \$9.75 Cumulative Convertible Preferred Stock, par value \$1.00 per share (the "\$9.75 Preferred Stock"), of the Company having the rights set forth in the Certificate of Designations for the \$9.75 Preferred Stock (the "Certificate of Designations");

B. The Preferred Stock Purchase Agreement was subsequently amended by agreements between Prudential and the Company dated February 8, 1987 and April 12, 1990; pursuant to the April 12, 1990 agreement (the "Second Stock Purchase Agreement") (1) the Company reacquired from Prudential 500,000 of the Shares, and (2) Prudential executed and delivered a Waiver of Certain Equity Offering Rights dated as of April 12, 1990 and a Waiver of Certain Rights Relating to \$9.75 Preferred Stock dated June 5, 1990;

C. Prudential and the Company entered into a letter agreement dated February 28, 1995 (the "Letter Agreement") pursuant to which Prudential, upon the request of the Company, and the Company agreed to execute irrevocable and unconditional waivers of certain provisions of the Certificate of Designation, such waivers to be effective upon the effectiveness of a guaranty (the "YPF Guaranty") by YPF Sociedad Anonima, a sociedad anonima organized under the laws of the Republic of Argentina ("YPF");

D. The YPF Guaranty has become effective; and

E. Simultaneously with such effectiveness Prudential and the Company are executing and delivering this Waiver pursuant to the Letter Agreement.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, and for other consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Prudential Waiver of Certain Rights. Prudential hereby unconditionally, irrevocably and permanently waives any and all rights of the holders of the Shares under Section 2(b), Section 3(b), Section 8 and Section 9 of the Certificate of Designations.

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2. Company Waiver of Certain Rights. The Company hereby unconditionally, irrevocably and permanently waives any and all rights the Company may have under Section 5(a) and Section 5(c) of the Certificate of Designations.

3. Transfers; Legends. Prudential hereby agrees that if it shall at any time or from time to time sell, transfer or otherwise dispose of any Shares, any transferee, as a condition of the transfer shall, by written agreement satisfactory to the Company and its counsel delivered to the Company at least five business days prior to the proposed effective date of such transfer, expressly assume all of Prudential's obligations, waivers, duties and covenants under the Stock Purchase Agreement, the Second Stock Purchase Agreement, the Letter Agreement and this Waiver (as each may have been amended or modified, or any provisions thereof waived, and shall at such time be in effect), including without limitation Prudential's obligations under this paragraph 3 as to the Shares to be so transferred, and shall agree to so bind its subsequent transferees.

As soon as practicable following the execution and delivery hereof, the certificates currently evidencing the Shares are being surrendered against delivery to Prudential of one or more certificates evidencing a like aggregate number of Shares which, in addition to any other legend placed upon such certificate(s), shall bear a legend to the following effect:

"The securities represented by this certificate are subject to certain provisions of an agreement, dated April 12, 1990, and the provisions of an agreement, dated February 28, 1995, each between the Corporation and The Prudential Insurance Company of America, the terms of which require the holder hereof to execute certain unconditional and irrevocable waivers of certain rights of the holder, including without limitation the right to convert these securities into Common Stock of the Corporation, to receive increased dividends in certain circumstances and to vote in respect of certain matters, and, under certain circumstances, to consent to amendments of, or, at the request of the Company, waivers with respect to, the Certificate of Designations and amendments of certain agreements to which the Corporation is a party. Pursuant to said Agreement dated February 28, 1995 the Corporation and The Prudential Insurance Company of America have entered into a further agreement dated June 8, 1995 effecting certain unconditional and irrevocable waivers with respect to the Certificate of Designations. Copies of such agreements are on file at the principal executive offices of the Corporation."

4. Representations and Warranties. Each of Prudential and the Company hereby represents and warrants that this Waiver has been duly authorized, executed and

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delivered by it and is its valid and binding obligation. This Waiver shall be binding upon and inure to the benefit of the Company and Prudential and their successors and assigns.

IN WITNESS WHEREOF Prudential and the Company have caused this Waiver to be duly executed as of the date first above written.

THE PRUDENTIAL INSURANCE  
COMPANY OF AMERICA

By: /s/ R.G. GWIN  
Print Name: R.G. Gwin  
Title: Vice President

MAXUS ENERGY CORPORATION

By: /s/ DAVID WADSWORTH  
Print Name: David Wadsworth  
Title: Vice President

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EXHIBIT 10.8

MAXUS ENERGY CORPORATION

SUPPLEMENTAL SAVINGS PLAN

(AS AMENDED AND RESTATED EFFECTIVE JUNE 8, 1995)

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The Maxus Energy Corporation Supplemental Savings Plan, formerly named the Employee Shareholding and Investment Supplemental Benefits Plan (the "Plan"), an unfunded, nonqualified deferred compensation plan originally adopted in 1976, is hereby amended and restated effective as of June 8, 1995.

1. Purpose

The purpose of the Plan is to provide additional benefits for certain highly compensated employees of Maxus Energy Corporation, a Delaware corporation, and its subsidiaries (the "Corporation").

2. Definitions The following definitions are used throughout the Plan.

(a) "Actuarial Equivalent" means a form of benefit under which the aggregate payments expected to be received are equal in value to the aggregate payments expected to be received under a different form of benefit using the following assumptions:

Mortality table: 1984 Unisex Pension

Interest rate: If the Participant (or his eligible spouse) is eligible to elect the lump sum payment option under the Career Average Plan, then the interest rate shall be the same interest rate assumption which would be used in calculating a lump sum payment for such person under the Career Average Plan; otherwise, the interest rate shall be the Applicable Rate or such other rate as may

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be established by the Board.

The foregoing actuarial assumptions may be changed from time to time by amendment to the Plan. The Actuarial Equivalent of a Participant's or an eligible spouse's benefit under this Plan shall be computed under the actuarial assumptions in effect on the date the payment of such benefit is made.

(b) "Applicable Rate" means an annual rate of interest equal to 120% of the interest rate set by the Pension Benefit Guaranty Corporation to value immediate annuities for single employer pension plans in effect at the beginning of the Plan Year.

(c) "Benefits Committee" means the committee appointed by the Chairman of the Board from time to time to administer the Corporation's retirement benefit programs.

(d) "Board" means the Board of Directors of the Corporation or the Compensation Committee of such Board of Directors.

(e) "Career Average Plan" means the Maxus Energy Corporation Career Average Retirement Income Plan which is sponsored by the Corporation and is intended to qualify under Section 401(a) of the Code.

(f) "Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time.

(g) "Corporate Account" means an account into which contributions of the Corporation have been credited and which is credited with interest at the Applicable Rate, compounded daily, until the account has been fully distributed to the Participant.

(h) "Earnings" means a Participant's base salary. Bonuses,

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commissions and any other remuneration of any kind paid to a Participant shall be excluded from the computation of Earnings. In the case of a Participant receiving benefits under the Corporation's salary continuation plan, Earnings shall include payments the Participant receives under such plan in lieu of salary.

(i) "Participant" means an employee of the Corporation meeting the eligibility requirements of Section 3 of the Plan. The term "Participant" shall include the beneficiary or eligible spouse of a deceased Participant.

(j) "Participant Account" means an account into which deferred Earnings of a Participant have been credited and which is credited with interest at the Applicable Rate, compounded daily, or such other rate as may be established by the Board until the account has been fully distributed to such Participant.

(k) "Pension Benefit" has the meaning set forth in Section 5.

(l) "Plan Year" means the calendar year.

(m) "Reduced Savings Plan Benefit" means, for any Plan Year, the amount by which (i) six percent (6%) of the Participant's Earnings during such Plan Year, exceeds (ii) the maximum employer matching contribution permitted under the Savings Plan during such Plan Year as a result of the limitations under the Code.

(n) "Savings Plan" means the Employee Savings Plan sponsored by the Corporation.

### 3. Eligibility

An exempt employee of the Corporation or of any operating



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subsidiary of the Corporation who is eligible to participate in the Savings Plan for any plan year of the Savings Plan and who has been designated a grade 10 (or the equivalent thereof) or higher grade for the same plan year of the Savings Plan shall be eligible to participate in the Plan. Once an employee has become a Participant, he will not lose eligibility to participate in the Plan merely because he is reclassified to a lower grade level.

#### 4. Savings Plan Supplemental Award

If a Participant has a Reduced Savings Plan Benefit for any Plan Year, such Participant's Corporate Account shall be credited with an amount equal to the amount of the Reduced Savings Plan Benefit of the Participant for such Plan Year.

#### 5. Deferred Earnings

A Participant may elect, in accordance with procedures established by the Benefits Committee, to defer under this Plan a portion of his Earnings for a Plan Year. The amount of Earnings which a Participant may elect to defer during a Plan Year shall be equal to the amount by which:

- (a) the amount of before-tax contributions which such Participant elected to contribute to the Savings Plan during such Plan Year, exceeds
- (b) the maximum amount of before-tax contributions which such Participant is permitted to make to the Savings Plan during such Plan Year as a result of the limitations under Code Sections 401(a)(17), 401(k), 402(g) and 415.

A Participant's deferrals of Earnings under this Plan shall be credited to his Participant Account.

A Participant who is eligible to receive a benefit under the

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Career Average Plan shall be entitled to receive a supplemental pension benefit (the "Pension Benefit") under the Plan in an amount equal to the excess, if any, of (i) over (ii), where:

- (i) equals the aggregate amount of monthly income that would be payable to the Participant under the Career Average Plan (as computed without the maximum benefit limitations under Code Section 415 or any limitations imposed as a consequence of applying the annual compensation cap set forth in Section 401(a)(17) of the Code (adjusted for changes in the cost of living as provided in Section 401(a)(17) of the Code and 415(d) of the Code) if the Participant's deferrals of Earnings pursuant to this Section for any year were included in the Participant's compensation as reported on Internal Revenue Service Form W-2 for such year; and
- (ii) equals the aggregate amount of monthly income that is actually payable to the Participant under the Career Average Plan, the Maxus Energy Corporation Supplemental Executive Retirement Plan and the Maxus Energy Corporation Excess Benefits Plan.

#### 6. Treatment of Stock Units

If and to the extent a Participant was credited with "Stock Units" (as defined below) in his Corporate and/or Participant Accounts as of June 8, 1995, such Participant's Corporate and Participant Accounts, respectively, will be credited as of that date with an amount equal to the number of Stock Units credited to such Account on June 8, 1995 times \$5.50. As used herein, the term "Stock Unit" shall have the meaning assigned to that term in the Plan as in effect immediately prior to this amendment and restatement.

#### 7. Vesting

Subject to the rights of general creditors as set forth in Section 11 and the right of the Corporation to discontinue the Plan as provided in Section 13(c), a Participant shall:

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(a) be vested in his Corporate Accounts to the same extent as such Participant is vested in matching contributions of the Corporation under the Savings Plan;

(b) be vested in his Pension Benefit to the same extent as such Participant is vested in his accrued benefit under the Career Average Plan; and

(c) at all times be fully vested and have a nonforfeitable interest in his Participant Accounts.

#### 8. Commencement of Benefits

The vested Corporate Accounts, vested Pension Benefit, and the Participant Accounts payable to a Participant under this Plan shall be paid within 30 days following the date the Participant terminates employment for any reason. A Participant may not elect to borrow or withdraw from the Plan any portion of the benefits provided under this Plan.

#### 9. Form of Benefits

(a) A Participant's Corporate Account and Participant Account shall be paid in a single lump sum cash payment.

(b) A Participant's Pension Benefit shall be paid in the form of a lump sum payment which is the Actuarial Equivalent of a monthly life annuity in the amount of the Pension Benefit beginning when the Participant reaches age 62 and continuing for the remaining life expectancy of the Participant.

#### 10. Death Benefits

If a Participant who is entitled to receive a benefit under the Plan dies before terminating his employment with the Corpora-

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tion:

(a) The amount of his Corporate Account and Participant Account shall be paid to the person or persons (including his estate) who are recognized as his beneficiary under the Savings Plan for purposes of the Savings Plan benefit within 30 days following the date of the Participant's death; and

(b) The Participant's eligible spouse, if any, under the Career Average Plan shall be paid within 30 days following the date of the Participant's death a lump sum amount which is the Actuarial Equivalent of a monthly life annuity beginning on the earliest date at which such an annuity could begin for such eligible spouse under the Career Average Plan and continuing for the remaining life expectancy of such eligible spouse in the amount of the Participant's Pension Benefit (reduced as describe below). In calculating such lump sum, the Pension Benefit shall first be reduced by any and all factors or adjustments, if any, that would be used under the Career Average Plan to adjust the monthly single life annuity amount of the Participant to a 50% monthly life annuity for the eligible spouse that begins on the earliest date at which a life annuity could begin for such eligible spouse.

#### 11. Funding of Benefits

(a) The Plan shall be unfunded. All benefits payable under the Plan shall be paid from the Corporation's general assets, and nothing contained in the Plan shall require the Corporation to set aside or hold in trust any funds for the benefit of a Participant, who shall have the status of a general unsecured creditor with respect to the Corporation's obligation to make payments under the Plan. Any funds of the Corporation available to pay benefits under the Plan shall be subject to the claims of general creditors of

the Corporation and may be used for any purpose by the Corporation.

(b) Notwithstanding the provisions of subsection (a), the Corporation may, at the direction and in the absolute discretion of the Benefits Committee, transfer to the trustee of one or more

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irrevocable trusts established for the benefit of one or more Participants assets from which all or a portion of the benefits provided under the Plan will be satisfied, provided that such assets held in trust shall at all times be subject to the claims of general unsecured creditors of the Corporation, and no Participant shall at any time have a prior claim to such assets.

## 12. Administration of the Plan

The Benefits Committee shall administer the Plan and shall keep a written record of its action and proceedings regarding the Plan and all dates, records and documents relating to its administration of the Plan. The Benefits Committee is authorized to interpret the Plan, to make, amend and rescind such rules as it deems necessary for the proper administration of the Plan, to make all other determinations necessary or advisable for the administration of the Plan and to correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent that the Benefits Committee deems desirable to carry the Plan into effect. The powers and duties of the Benefits Committee shall include, without limitation, the following:

(a) Determining the amount of benefits payable to Participants and authorizing and directing the Corporation with respect to the payment of benefits under the Plan;

(b) Construing and interpreting the Plan whenever necessary to carry out its intention and purpose and making and publishing such rules for the regulations of the Plan as are not inconsistent with the terms of the Plan; and

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(c) Compiling and maintaining all records it determines to be necessary, appropriate or convenient in connection with the administration of the Plan.

Any action taken or determination made by the Benefits Committee shall be conclusive on all parties. No member of the Benefits Committee shall vote on any matter relating specifically to such member. In the event that a majority of the members of the Benefits Committee will be specifically affected by any action proposed to be taken (as opposed to being affected in the same manner as each other Participant in the Plan), such action shall be taken by the Board.

## 13. Miscellaneous

(a) Nothing in the Plan shall confer upon a Participant the right to continue in the employ of the Corporation or an affiliate of the Corporation or shall limit or restrict the right of the Corporation or any affiliate to terminate the employment of a Participant at any time with or without cause.

(b) Except as otherwise provided in the Plan, no right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge such right or benefit shall be void. No such right or benefit shall in any manner be liable for or subject to the debts, liabilities or torts of a Participant.

(c) The Plan may be amended at any time by the Benefits Committee provided such amendment does not have the effect of

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increasing, directly or indirectly, the benefit of any Participant. The Plan may also be amended or terminated by the Board at any time, and any amendment

adopted by the Board shall supersede any prior or later amendment adopted by the Benefits Committee that is inconsistent with the action of the Board. No amendment shall have the effect of decreasing a Participant's accrued benefit. However, if the Board determines that payments under the Plan would have a material adverse effect on the Corporation's ability to carry on its business, the Board may suspend such payments for such time as in its absolute discretion it deems advisable.

(d) The Plan is intended to provide benefits for "management or highly compensated" employees within the meaning of Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and therefore to be exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. Accordingly, if it is determined by a court of competent jurisdiction or by an opinion of counsel that the Plan constitutes an employee pension benefit plan within the meaning of Section 3 (2) of ERISA which is not so exempt, the Plan shall terminate and no further benefits shall accrue hereunder.

(e) The Corporation shall have the right to deduct any taxes required by law to be withheld from all amounts paid pursuant to the Plan.

(f) If any provision in the Plan is held by a court of competent jurisdiction to be invalid, void or unenforceable, the

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remaining provisions shall nevertheless continue to full force and effect without being impaired or invalidated in any way.

(g) The Plan shall be construed and governed in all respects in accordance with applicable federal law and, to the extent not preempted by such federal law, in accordance with the law of the State of Texas.

(h) Nothing herein is intended to nor shall be construed to reduce the amount of any Participant's benefit accrued under the Plan as of June 8, 1995.

IN WITNESS WHEREOF, the Corporation has caused this amended and restated Plan to be executed in its name by its duly authorized officers effective as of the 8th day of June, 1995.

MAXUS ENERGY CORPORATION

By: /s/ W. Mark Miller  
-----

ATTEST:

/s/ H. R. Smith  
-----  
H. R. Smith, Secretary

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Exhibit 10.15

INTERNATIONAL CONSULTING AGREEMENT

YPF Sociedad Anonima (hereinafter referred to as the "Company"), a sociedad anonima organized under the laws of the Republic of Argentina, with principal offices at Avenida Pte. Roque Saenz Pena 777, Buenos Aires 1364, Argentina, and C. L. Blackburn (hereinafter referred to as "Consultant"), whose address is 3705 Gillon Avenue, Dallas, Texas 75205, hereby agree as follows:

1. The Company desires to engage Consultant on the terms and for the period set forth herein as an international consultant (the "Consulting Services"). Consultant agrees to provide the Consulting Services on the terms and for the period set forth herein. In performing the Consulting Services, Consultant shall have direct access to Jose A. Estenssoro and Nells Leon, the Company's President and Chief Executive Officer and Executive Vice President and Chief Operating Officer, respectively, or their successors.

2. The term of this Agreement shall commence on May 1, 1995 and shall remain in effect for a term of two years; provided, however, that this Agreement will terminate upon Consultant's death if he should die during the term hereof.

3. As the fee for the Consulting Services, the Company shall pay Consultant a retainer of US\$180,000 per year, payable in monthly installments of US\$15,000 on or before the first day of

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every month during the term hereof. Should Consultant provide more than 60 days of Consulting Services during the first or second 12-month period hereof, Company shall pay him US \$3000 for each day during which Consulting Services are so provided in excess of 60 days in either 12-month period. Consultant shall invoice the Company monthly for Consulting Services performed in excess of 60 days in such a 12-month period, and Consultant's invoices shall set forth the total number of days in which Consulting Services were performed during the applicable month. Consultant is to send any such invoices to Cedric Bridger at the address given for the Company first above. Such invoices will be paid within ten (10) business days after receipt.

If and to the extent Consultant serves as a director of Maxus Energy Corporation, a majority owned subsidiary of the Company (Maxus"), during the term hereof, Consultant waives the right to receive compensation in addition to that provided herein for his service as a director of Maxus unless he has previously provided Consulting Services in excess of 60 days during the relevant 12-month period. However, it is understood and agreed that time spent performing duties as a director of Maxus shall be deemed to be the performance of Consulting Services.

4. Within ten (10) business days after receipt of an invoice, the Company shall reimburse Consultant for reasonable travel, entertainment, out of town living and similar expenses incurred by him in connection with the Consulting Services rendered

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hereunder. Such invoices are to be sent to Cedric Bridger at the address given for the Company first above.

5. Subject to the other provisions hereof, during the term hereof, Consultant will make himself available to perform the Services at least 60 days during each of the first and second 12-month periods hereof.

The Company specifically acknowledges and agrees that Consultant is free to serve as a director of companies or other entities not affiliated with the Company, provided that and for so long as such other companies and entities do not in any material way compete with, provide goods or services to, or otherwise generate conflicts with the Company.

6. The Company agrees to provide Consultant with mutually agreeable office space, reserved parking, supplies and support services, including secretarial support, at its headquarters' offices in Buenos Aires, Argentina and at Maxus' headquarters' offices in Dallas, Texas, U.S.A. as may be necessary or appropriate in connection with Consultant's performance of the Consulting Services at such locations.

7. Consultant is an independent contractor hereunder with the responsibility for, and control over, the details and means of performing the Consulting Services. In this connection, it is understood and agreed that the

Company is interested in results and

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shall not have the right to control the details of the Services to be performed hereunder or the manner in which they are performed.

8. Confidentiality. All data and information which may be received by Consultant from the Company, directly or indirectly, or developed by him in connection with his performing the Consulting Services shall be kept confidential by him and will be utilized only for the purposes of carrying out the Consulting Services to be provided hereunder.

9. The Company represents that if any approval of this Agreement by its Board of Directors or any committee thereof is required to make this Agreement binding on the Company, such approval has been given.

10. This Agreement may not be assigned by Consultant and may be assigned by the Company only to a corporation into which the Company is merged or which acquires substantially all of the Company's assets.

11. This Agreement is entered into in Dallas, County, Texas, U.S.A. All payments provided for herein are payable in Dallas County, Texas, U.S.A. in United States dollars.

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12. This Agreement shall be construed under the laws of the State of Texas, without giving effect to its conflicts of laws principles.

13. (a) The Company consents to the non-exclusive jurisdiction of any court of the State of Texas or any United States federal court sitting in Dallas, Dallas County, Texas, U.S.A., and any appellate court from any thereof, and waives any immunity from the jurisdiction of such courts over any suit, action or proceeding that may be brought in connection with this Agreement. The Company irrevocably waives, to the fullest extent permitted by law, any objection to any suit, action or proceeding that may be brought in connection with this Agreement in such courts whether on the grounds of venue, residence or domicile or on the ground that any such suit, action or proceeding has been brought in an inconvenient forum. The Company agrees that final judgment in any such suit, action or proceeding brought in such court shall be conclusive and binding upon the Company and may be enforced in any court to the jurisdiction of which the Company is subject by suit upon such judgment. Notwithstanding the foregoing, any suit, action or proceeding brought in connection with this Agreement may be instituted in any competent court in Argentina.

(b) The Company agrees that service of all writs, process and summonses in any suit, action or proceeding brought in connection with this Agreement against the Company in any court sitting in Dallas, Dallas County, Texas, U.S.A. may be made upon the General

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Counsel of Maxus Energy Corporation, 717 N. Harwood St., Dallas, Texas 75201, U.S.A., whom the Company irrevocably appoints as its authorized agent for service of process for purposes of this Agreement and all actions brought in connection herewith. The Company represents and warrants that Maxus' General Counsel has agreed to act as the Company's agent for service of process. The Company agrees that such appointment shall be irrevocable so long as this Agreement shall remain in effect or until the irrevocable appointment by the Company of a successor in Dallas, Texas as its authorized agent for such purpose and the acceptance of such appointment by such successor. The Company shall provide Consultant in writing the name and address of such successor agent. With respect to any such action in any court of the State of Texas or any United States federal court in Dallas, Dallas County, Texas, U.S.A. service of process upon Maxus' General Counsel, as the authorized agent of the Company

for service of process, and written notice of such service to the Company, shall be deemed, in every respect, effective service of process upon the Company.

(c) Nothing in this Section 14 shall affect the right of any party to serve legal process in any other manner permitted by law or affect the right of any party to bring any action or proceeding against any other party or its property in the courts of other jurisdictions.

14. Should any provision hereof be unenforceable or otherwise illegal, the remainder of this Agreement shall not be affected, and

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the provision held to be unenforceable or illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable and legal.

Executed as of the 1st day of May, 1995.

YPF SOCIEDAD ANONIMA

By: [ILLEGIBLE]

/s/ C. L. BLACKBURN

C. L. Blackburn

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Exhibit 10.16

# ASSIGNMENT OF INTERNATIONAL CONSULTING AGREEMENT

This Assignment of International Consulting Agreement is entered into as of this 2nd day of November, 1995 by and among YPF Sociedad Anonima, a sociedad anonima organized under the laws of the Republic of Argentina ("YPF"), Maxus Energy Corporation, a Delaware corporation ("Maxus"), and C. L. Blackburn ("Blackburn").

WHEREAS, YPF and Blackburn have heretofore entered into an International Consulting Agreement (the "Consulting Agreement") effective as of May 1, 1995; and

WHEREAS, YPF owns all of the issued and outstanding common stock of Maxus; and

WHEREAS, YPF has determined that Maxus will be its principal international oil and gas exploration and production subsidiary, responsible for substantially all oil and gas exploration and production activities outside Argentina; and

WHEREAS, consistent with Maxus' role as YPF's principal international oil and gas exploration and production subsidiary, YPF has transferred or

intends to transfer certain rights to explore for and produce oil and gas in Bolivia, Peru, Ecuador, the United States and other countries; and

WHEREAS, the parties hereto have agreed that in view of Maxus' role as YPF's principal international oil and gas exploration and production subsidiary it is appropriate and in the parties' interests for YPF to assign its rights and obligations under the Consulting Agreement to Maxus;

NOW THEREFORE, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. YPF hereby assigns, and Maxus hereby accepts and agrees to perform on the terms and conditions set forth herein, all of YPF's rights and obligations under the Consulting Agreement effective as of May 1, 1995.

2. Blackburn hereby consents to the assignment of YPF's rights and obligations under the Consulting Agreement to Maxus on the terms and conditions set forth herein and that the "Consulting Services" (as defined in the Consulting Agreement) will be performed for Maxus.

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3. Any provision in this Agreement or the Consulting Agreement to the contrary notwithstanding, the parties hereto agree as follows:

a. In lieu of the access contemplated by Section 1 of the Consulting Agreement, Blackburn shall have direct access to Nells Leon, the Chief Executive Officer of YPF and a director of Maxus, and Roberto Monti, the President and Chief Executive Officer of Maxus, or their successors.

b. Blackburn shall send any invoices for or in connection with Consulting Services or expense reimbursement as contemplated by Sections 3 and 4 of the Consulting Agreement, respectively, to Maxus Energy Corporation, 717 N. Harwood Street, Suite 3300, Dallas, Texas 75201, Attn: Controller, or such other address as may be specified in writing by Maxus.

c. Maxus shall provide Blackburn office space, parking, supplies and support services in Maxus' headquarters' offices in Dallas on an as needed basis if and when Blackburn determines to perform Consulting Services at such offices, and YPF shall provide Blackburn office space, parking, supplies and support services in YPF's headquarters' offices in Buenos Aires, Argentina on an as needed basis if and when Blackburn determines to perform Consulting Services at such offices.

4. Maxus and Blackburn agree that the Consulting Agreement remains in full force and effect as modified hereby.

THIS Assignment of International Consulting Agreement may be signed in any number of counterparts and shall be effective when executed by all three parties identified below.

YPF SOCIEDAD ANONIMA

Date:

November 7, 1995

By /s/ CEDRIC BRIDGER

-----

MAXUS ENERGY CORPORATION

Date:

November 9, 1995

By /s/ W. MARK MILLER

-----

Date:

November 2, 1995

By /s/ C. L. BLACKBURN

-----

C. L. BLACKBURN

bcc w/enc: I. Englebrecht  
R. Clabiorne

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Exhibit 10.17

#### MAXUS SEVERANCE AGREEMENT

This Severance Agreement is made and entered into between Maxus Energy Corporation ("Maxus") and Roberto Luis Monti ("Executive"), effective for all purposes as of August 3, 1995.

WHEREAS, as an additional inducement to Executive to accept employment with Maxus and to devote his best efforts to the business of Maxus, Maxus is desirous of offering him this severance agreement; and

WHEREAS, Executive is desirous of accepting employment with Maxus and receiving this severance agreement;

NOW, THEREFORE, Maxus and Executive hereby agree to the following:

#### SECTION 1 - DEFINITIONS

Whenever used herein, the following capitalized terms shall have the meanings set forth below, unless expressly provided otherwise.

- (a) BENEFICIARY means the beneficiary designated (and not revoked) by Executive in writing, filed with Maxus in a form acceptable to it, to receive any payment to be made on behalf of Executive after his death pursuant to this Agreement, and if no such designation exists, his surviving spouse or, if none, his estate.
- (b) BOARD means the Board of Directors of Maxus.
- (c) CAUSE means the termination of Executive's employment with Maxus due to (i) the willful and continued failure for a period of 30 days by Executive to perform substantially all of Executive's duties with Maxus, following a demand by Maxus for substantial performance of his duties, which demand specifies the manner in which Executive has not performed his duties, other than any such failure resulting from Executive's incapacity due to physical or mental illness, or (ii) the willful engaging by Executive in gross misconduct materially and demonstrably injurious to Maxus. For purposes of this definition, an act or failure to act on Executive's part shall not be considered "willful" if done or omitted to be done by Executive in good faith and with reasonable belief that Executive's action or omission was in the best interest of Maxus.
- (d) DISABILITY means a mental or physical disability of Executive, which, in the opinion of Executive's physician, prevents Executive from performing his regular duties and is expected to be of long continued duration or to result in death.
- (e) EMPLOYMENT means employment with Maxus.
- (f) SEVERANCE PAYMENT means a payment in cash or by wire transfer of U.S. \$3 million, less any other severance payment, if any, due Executive by Maxus.
- (g) TAKEOVER means either (i) any transfer of shares or other corporate restructuring whereby Maxus ceases to be a corporation directly or indirectly controlled by YPF S.A., a corporation organized under the laws of Argentina ("YPF"); or (ii) a "controlled acquisition" of YPF, as defined in Section 7(d) of YPF's by-laws or any successor provision thereto, or a change in the composition of the Class D directors of YPF, at any Stockholders' Meeting or over any period of time encompassing not more than two successive Stockholders' Meetings, so that a majority of the Class D

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directors are persons who were not proposed as candidates by the Class D directors sitting at the date or dates the new directors comprising such majority were elected.

## SECTION 2 - PAYMENT OF SEVERANCE

If Executive's Employment is terminated (i) by either Executive or Maxus because of his Disability or death, or (ii) by Maxus other than for Cause, or (iii) by Executive within six months following a Takeover for any reason (other than to accept employment with YPF), or (iv) by Executive for any reason on or after reaching the age of 65 years, Maxus shall immediately pay to Executive the Severance Payment. If, however, Executive's Employment is terminated by Executive for any other reason, including, without limitation, to accept employment with YPF, no Severance Payment shall be due or payable to Executive under this Agreement.

## SECTION 3 - NO EMPLOYMENT RIGHTS

Nothing contained herein shall be construed as a contract of employment between Maxus and Executive, or as granting Executive a continued right of employment or as a limitation on the right of Maxus to discharge Executive at any time, with or without Cause.

## SECTION 4 - NON-ALIENATION OF BENEFITS

No right or payment under this Agreement shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge by Executive (or his Beneficiary), and any attempt to anticipate, alienate, sell, assign,

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pledge, encumber or charge the same will be void. Further, no right or payment hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities or torts of Executive (or his Beneficiary). If Executive (or his Beneficiary) shall become bankrupt or attempt to anticipate, alienate, assign, sell, pledge, encumber or charge any right or payment hereunder, or if any creditor shall attempt to subject the same to a writ of garnishment, attachment, execution, sequestration, or any other form of process or involuntary lien or seizure, then such right or payment shall be held by Maxus for the sole benefit of Executive (or his Beneficiary, as the case may be) in such manner as the Board shall deem proper, free and clear of the claims of any other party whatsoever.

## SECTION 5 - WITHHOLDING OF TAXES

Maxus shall deduct from any payment due Executive (or his Beneficiary) hereunder, any taxes which it determines are required by law to be withheld from such payment.

## SECTION 6 - ARBITRATION

Any dispute under this Agreement shall be settled by arbitration. Either party by notice in writing to the other may request arbitration and shall specify the nature of the dispute. Within five days thereafter the parties may designate a single arbitrator, or absent such mutual designation, within the next five days each party shall appoint an arbitrator, who in turn shall jointly select a third arbitrator within the next five days. Absent agreement on such third arbitrator, the parties agree to seek the assistance of the American Arbitration Association in this regard. The decision of the single arbitrator or the joint decision of the three arbitrators, which shall also apportion the arbitration expense between the parties, shall be binding and enforceable on the parties in the same manner as a final decision of a court of competent jurisdiction.

The provisions of the foregoing paragraph shall survive termination of this Agreement.

## SECTION 7 - AMENDMENT

No provision of this Agreement may be modified, waived or discharged unless evidenced by written agreement executed by both parties.

## SECTION 8 - GOVERNING LAW

The validity, construction, interpretation and effect of this Agreement and all rights of any and all persons having or claiming o have any interest in the Agreement shall be governed by the laws of the State of Texas.

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IN WITNESS WHEREOF, Maxus and Executive have executed this Agreement in one or more counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument, effective for all purposes as of the date first provided above.

MAXUS ENERGY CORPORATION

BY: /s/ W. MARK MILLER

-----  
Vice President

EXECUTIVE

/s/ ROBERTO LUIS MONTI

-----  
Roberto Luis Monti

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Exhibit 10.18

#### COMPENSATION AGREEMENT

THIS AGREEMENT is made on the 27th day of December, 1995 between Maxus Energy Corporation, a company incorporated under the laws of the State of Delaware, United States of America, whose principal office is located at 717 North Harwood Street, Dallas, Texas 75201 (the "Company") and Roberto L. Monti (the "Executive").

WHEREAS, the Executive and the Company have entered into certain understandings related to the payment of compensation, performance of services and location of duties to be performed, and

WHEREAS, the Executive and the Company have agreed that to defer payment of certain compensation that may be earned by the Executive, and

WHEREAS, such agreement was made prior to the Executive's performance of any duties for the Company and its affiliates in the United States or earning any compensation with respect thereto in or for periods subsequent to December 31, 1995, and

WHEREAS, the Executive and the Company desire to memorialize such agreements in a written agreement,

IT IS HEREBY AGREED as follows:

1. Time Covered  
The Executive shall be compensated by the Company under the terms of this Agreement beginning with the first day of January 1996. This Agreement may be terminated at any time by the Executive or the Company. In no event shall any payments be due under this Agreement until the date specified in paragraph 5 of this Agreement.

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2. **Services Covered**  
 The Executive shall hold office and serve the Company as President and Chief Executive Officer at the pleasure of the Board of Directors of the Company (the "Board"). In such capacity, the Executive shall perform the duties and exercise the powers consistent with such offices which may from time to time be assigned to or vested in him by the By-Laws of the Company and Board, and the Executive shall from time to time give to the Board all such information regarding such matters as it shall require and shall implement and apply the policy of the Company.

From time to time, the Executive will be required to perform services on behalf of the Company or its affiliates outside of the United States. Said duties will include, but not be limited to, review of acquisition candidates, stewardship duties, management liaison and other strategic corporate functions.

It is expected that such acquisition candidates will normally be located outside of the United States, and the services performed in connection with any reviews shall be performed outside of the United States. It is also expected that stewardship and management liaison services will normally require visits to and meetings at the offices of YPF Sociedad Anonima, the Company's controlling shareholder in Argentina.

3. **Compensation for Services**  
 During the term of this Agreement, the Company shall pay the Executive (a) for services performed outside of the United States while a resident in the United States a monthly base salary of US\$16,667 (the "Foreign Service Pay") and (b) for other services performed a monthly base salary of US \$50,000.

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4. **Deferral of Payment**  
 The Company and the Executive agree to defer payment of the Foreign Service Pay. It is agreed that the Company shall instead credit, on the last day of each month US\$16,667 to a "deferral account." In addition, the Company shall add to the deferral account, on the first day and the 15th day of each month, beginning February 15, 1996, an amount equal to 1/24 of the prime rate multiplied by the balance in the deferral account as of the close of the preceding day (the "earnings addition"). For this purpose, the prime rate applicable to a given date shall be equal to the month end prime lending rate as reported in the Wall Street Journal for the immediately preceding month or, if the Wall Street Journal does not report such rate, the prime rate applicable to a given date will be equal to the month end prime lending rate offered by the Chase Manhattan Bank, New York, N.Y. for the immediately preceding month.

At no time while resident in the United States shall the Executive have any control over payment of the amounts in the deferral account, nor shall the obligation be funded or secured, nor shall the Executive have any right against the Company or any of its affiliates with respect to any portion of the deferral account, except as a general unsecured creditor.

5. **Payment of Balance in Deferral Account**  
 The Executive shall be entitled to payment of such amounts as determined in paragraph 4 thirty (30) days after the termination of the Executive's employment with the Company and the payment will be made in a lump-sum.

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The Executive shall be entitled to make a one time, irrevocable election to withdraw the balance in the deferral account within 15 days after December 31, 1998 in the event that he has not received or is otherwise not entitled to receive payment. If such election is made, an amount equal to the most recent annual "earnings addition" will be deducted from the deferral account before payment to the

Executive. In addition, the Executive shall be entitled to withdraw the entire amount in the deferral account in the event that the Executive experiences a "financial hardship." The determination of the existence of a financial hardship shall be made solely by the Company, taking into consideration the severity of the hardship and other sources of funds available to the Executive, but the balance in the deferral account shall not be unreasonably withheld. No deduction of any "earnings addition" shall be made from the deferral account if withdrawal is made on account of "financial hardship."

6. Scope of Agreement

Nothing in this Agreement is intended to or shall be construed to impact, enhance, impair or reduce the Executive's right to participate in or coverage, obligations or rights under (a) the Company's qualified and non-qualified benefit plans, policies and arrangements or (b) that certain Severance Agreement dated August 3, 1995 between the Executive and the Company.

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7. Governing Laws

This contract shall be governed by and construed under the Laws of the State of Delaware.

/s/ Roberto L. Monti

-----  
Roberto L. Monti

MAXUS ENERGY CORPORATION

By: /s/ W. MARK MILLER

-----  
Executive Vice President

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</TEXT>  
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<TYPE>EX-10.19  
<SEQUENCE>8  
<DESCRIPTION>SERVICES AGREEMENT  
<TEXT>

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EXHIBIT 10.19

SERVICES AGREEMENT

THIS SERVICES AGREEMENT (this "Agreement") is entered into as of April 5, 1995 (the "Effective Date"), by and between PETER D. GAFFNEY ("Gaffney") and MAXUS ENERGY CORPORATION, a Delaware corporation ("Maxus").

WHEREAS:

YPF, S.A. ("YPF") has tendered for all of the issued and outstanding common stock of Maxus, resulting in Maxus becoming a subsidiary of YPF.

Recognizing Gaffney's unique knowledge, abilities and expertise, the board of directors of Maxus (the "Maxus Board") and the management of YPF have requested that Gaffney serve as Chief Executive Officer of Maxus.

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. EMPLOYMENT. Maxus hereby agrees to employ Gaffney, and Gaffney

hereby agrees to be employed by Maxus, for a term commencing on the date hereof and terminating on September 30, 1995 (the "Employment Period"), subject to extension by the mutual consent of the parties or earlier termination in accordance with Section 4 hereof.

2. SERVICES. During the Employment Period, Gaffney will hold the position of Chief Executive Officer of Maxus and in this capacity shall have such responsibilities and duties as are consistent with such position, as well as such additional duties as may be designated by the Maxus Board, provided that in no event shall the scope of Gaffney's duties and the extent of Gaffney's responsibilities be substantially different from the duties and responsibilities usually associated with the position of chief executive officer of a corporation similar in size and function to Maxus. In performing his duties, Gaffney shall report, and be answerable only to, the Maxus Board, acting through its Chairman of the Board or collectively. During the Employment Period, Gaffney shall devote his best efforts and substantially all of his business time, skill and attention to the business of Maxus. Notwithstanding anything to the contrary set forth herein, Gaffney shall be entitled to participate in such business and professional activities as may be approved from time to time by the Maxus Board. In any event, Gaffney shall not be prevented from devoting reasonable periods of time during normal business hours to (a) serving the Society of Petroleum Engineers ("SPE") as President or in any other capacity and performing related functions, (b) engaging in any professional, civic or charitable activity consistent with his employment, and (c) investing and managing Gaffney's personal assets. It is expressly understood and agreed that to the extent any such activities have been conducted by Gaffney prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not be deemed to interfere with the performance of Gaffney's responsibilities to Maxus.

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### 3. COMPENSATION AND BENEFITS.

(a) Salary. From the Effective Date until the date of termination of this Agreement in accordance with its terms, Maxus shall pay Gaffney a salary of \$50,000 per month, payable in arrears on the first business day of each month. Gaffney's salary shall not be reduced during the Employment Period. Upon the execution of this Agreement, Maxus shall pay Gaffney all salary amounts earned under this Section 3(a) since the Effective Date but not paid as of the date of execution hereof.

(b) Benefits. In addition to the compensation specified above, Gaffney shall be entitled to only the following benefits:

(i) participation in any health insurance, disability insurance or other welfare benefit program made generally available to the officers of Maxus, including, without limitation, full health, disability and dental coverage for Gaffney and spouse;

(ii) a period of vacation with salary consistent with the current policy of Maxus, as the same may be changed from time to time;

expenses incurred by Gaffney in furtherance of the interests of Maxus in accordance with the current policy of Maxus, as the same may be changed from time to time;

(iv) reimbursement for reasonable expenses incurred by Gaffney and spouse in connection with attending SPE meetings and related functions and reimbursement of reasonable expenses incurred by Gaffney in connection with other professional and energy industry meetings and related functions;

(v) all reasonable costs associated with Gaffney's relocation to Dallas, Texas and the performance of services under this Agreement, including, without limitations, payment or reimbursement of, rental of a suitable furnished apartment or house in Dallas, Texas, the lease of an automobile, legal costs associated with U.S. immigration compliance and other legal costs incurred by Gaffney in connection with his employment with Maxus; and

(vi) payment of initiation and monthly (or other periodic) fees and dues for Gaffney to be a full member of the Dallas Petroleum

Club during the Employment Period.

(c) Maxus shall have the right to deduct and withhold from compensation payable to Gaffney all social security and other federal, state and local taxes and charges which are currently or which may hereafter be required by law.

(d) Notwithstanding anything in this Agreement or in any compensation or employee benefit plan or program of Maxus that provides for incentive or deferred compensation or retiree benefits, including health insurance, life insurance or pension benefits (whether pursuant to a qualified or nonqualified plan), to the contrary, Gaffney hereby expressly agrees and

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acknowledges that he shall not be entitled to participate in or receive any such incentive or deferred compensation or retiree benefits and, to the extent applicable, Gaffney hereby waives his automatic participation in such plans and programs.

4. TERMINATION OF EMPLOYMENT. The following provisions shall be applicable to a termination of employment under this Agreement:

(a) Maxus may terminate Gaffney's employment under this Agreement at any time. If Maxus terminates Gaffney's employment, Gaffney shall be entitled to any unpaid salary (pro rated through and including the date of termination). In addition, Gaffney shall be entitled to receive an amount equal to the compensation he would have been entitled to receive under this Agreement through the end of the Employment Period. The aforesaid cash payments shall be payable in a single lump sum upon termination.

(b) Gaffney shall be entitled to terminate his employment hereunder at any time. If Gaffney terminates his employment hereunder, the provisions of Section 4(a) shall apply.

(c) Any termination by act of Maxus or Gaffney pursuant to Sections 4(a) or (b) above shall be communicated by a written notice of termination to the other party hereto and, further, in the event Gaffney shall terminate this Agreement such notice shall be sent to Maxus at least thirty (30) days prior to the date of termination.

5. CONFIDENTIAL INFORMATION. Gaffney shall take all reasonable steps to safeguard Confidential Information (as herein defined) and to protect such Confidential Information against disclosure, misuse, loss or theft. The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry, which was obtained from Maxus or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Gaffney on behalf of Maxus.

6. DIRECTORSHIP. During the Employment Period and for so long thereafter as Gaffney may remain employed by Maxus, Maxus agrees to nominate Gaffney to the Maxus Board at each meeting of stockholders called for the purpose of electing directors of Maxus. Maxus further agrees that Gaffney shall be appointed to the Executive Committee (or any committee with similar functions and powers) of the Maxus Board, if any.

7. CONTINUANCE OF LEGAL PROTECTIONS. Maxus agrees that all rights to indemnification and exculpation in respect of actions taken by Gaffney during the Employment Period, which rights shall be those now existing in favor of the employees, agents, directors or officers of Maxus as provided in the certificate of incorporation or bylaws of Maxus shall survive the termination of employment and continue in full force and effect. Maxus shall cause to be maintained in effect throughout the Employment Period, and for a period of seven years from the date of termination of employment, the current policies of directors' and officers' liability insurance (or policies that have substantially the same coverages and other material terms as contained in the current policies of directors' and officers' liability insurance) with respect to all matters occurring during, or as a result of, Gaffney's employment by Maxus; provided that if any claim is asserted or made within such period, such insurance will be continued in respect of such claim until the final disposition thereof. Notwithstanding the foregoing, in the event that policies

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of directors' and officers' liability insurance are not being issued by reputable carriers with coverages and other material terms substantially the same as contained in current policies maintained by Maxus, Maxus shall obtain and maintain policies of directors' and officers' liability insurance with the maximum coverages then commercially available.

8. CERTAIN PUBLIC INFORMATION. Any press release or other public information concerning Gaffney, or the position held by Gaffney at Maxus, including without limitation, any press release relating to the termination of Gaffney's employment, shall be submitted to Gaffney for prior written approval, which approval shall not be unreasonably withheld.

9. SUCCESSORS AND ASSIGNS. This Agreement will be binding upon, and inure to the benefit of, Maxus and its affiliates and its successors and assigns, and shall be binding upon and inure to the benefit of Gaffney, and his legal representatives and assigns.

10. MODIFICATION OR WAIVER. No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in a writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought.

11. GOVERNING LAW. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (EXCLUSIVE OF CONFLICTS OF LAW PRINCIPLES) AND WILL, TO THE MAXIMUM EXTENT PRACTICABLE, BE DEEMED TO CALL FOR PERFORMANCE IN DALLAS COUNTY, TEXAS.

12. SEVERABILITY. Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

13. COUNTERPARTS. This Agreement may be executed on separate counterparts each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

14. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

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&lt;PAGE&gt; 5

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

"MAXUS"

By: /s/ MARK GENTRY

Name: Mark Gentry

Title: Vice President

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"Gaffney"

/s/ PETER D. GAFFNEY



-----  
 Peter D. Gaffney

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</TEXT>  
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 <TYPE>EX-10.20  
 <SEQUENCE>9  
 <DESCRIPTION>SECONDMENT AGREEMENT  
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EXHIBIT 10.20

#### SECONDMENT AGREEMENT

THIS SECONDMENT AGREEMENT (this "Agreement") is entered into as of April 5, 1995 (the "Effective Date"), by and between Gaffney, Cline & Associates, Inc. ("GCA"), YPF, S.A. ("YPF") and Maxus Energy Corporation ("Maxus").

#### W H E R E A S:

YPF and Maxus have requested that Peter D. Gaffney ("Gaffney") serve as Chief Executive Officer and a Director of Maxus.

Gaffney is currently a principal of GCA and its affiliates.

GCA and its affiliates are international energy consultants providing services to a broad base of clients, including YPF and Maxus.

GCA is willing to consent to the secondment of Gaffney to Maxus on the terms and conditions described herein.

NOW THEREFORE, in consideration of the premises and the mutual consents and agreements set forth herein, the parties hereto agree as follows:

1. Secondment. GCA consents to the secondment of Gaffney to Maxus for a term commencing on the date hereof and terminating September 30, 1995 (the "Initial Term"); provided that the term may be extended (each extension, an "Extension Period") by mutual consent of the parties.

2. Initial Fee; Extension Fees. Upon execution of this Agreement, Maxus shall pay GCA a fee (the "Initial Fee") of \$500,000 (U.S.). In the event the parties agree to an Extension Period, Maxus shall pay an additional fee (an "Extension Fee") of \$500,000 (U.S.) on or before the commencement of such Extension Period. The Initial Fee and any Extension Fee are nonrefundable notwithstanding the termination of Gaffney's employment with Maxus during the Initial Term or during any Extension Period, as the case may be.

3. Existing Arrangements. Each of the parties hereto acknowledges that YPF and Maxus have existing contractual arrangements with GCA (the "Existing Arrangements") pursuant to which GCA provides professional services to YPF, Maxus and their respective affiliates. Each of the parties hereto further acknowledges that such Existing Arrangements are anticipated to continue in effect for the foreseeable future. By executing this Agreement, YPF and Maxus each ratifies and affirms such Existing Arrangements and expressly waives any actual or potential conflict of interest now existing, or that may hereafter arise, as a result of or relating to Gaffney's secondment to Maxus and the continued performance of GCA under the Existing Arrangements during and after the Initial Term and any Extension Period.

#### 4. Indemnification.

a. Scope of Indemnity. Each of YPF and Maxus shall indemnify GCA and its affiliates and their respective officers, directors, shareholders, employees, agents and attorneys (each, a "GCA Indemnitee") against and hold GCA Indemnitee harmless from any judgments,

&lt;PAGE&gt; 2

finances, losses, claims, costs (including, without limitation, court costs and costs of settlement incurred by GCA Indemnatee) and reasonable expenses (including, without limitation, reasonable attorneys' fees) sustained or incurred by GCA Indemnatee in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including any action by or in the right of YPF or Maxus, as the case may be), if GCA Indemnatee is or was a party or is threatened to be made a party thereto by reason of (directly or indirectly) (i) the fact that Gaffney is or was a director or officer of Maxus, (ii) the fact that Gaffney is or was serving at the request of YPF or Maxus as a director, officer, employee, agent or trustee of another corporation, partnership, joint venture, trust or other enterprise, or (iii) any action or inaction (negligent or otherwise) by Gaffney while acting as a director or officer of Maxus or as a director, officer, employee, agent or trustee of another corporation, partnership, joint venture, trust or other enterprise at the request of YPF or Maxus. In the event that any claim or demand for which YPF or Maxus would be liable to GCA Indemnatee hereunder is asserted against or sought to be collected from GCA Indemnatee by a third party, YPF or Maxus, as the case may be, shall, at its sole cost and expense, assume the defense of such claim or demand; provided, however, that in the event GCA is advised by counsel that it may have defenses different from or in addition to those that may be asserted by YPF or Maxus in its own behalf, GCA Indemnatee shall have the right to retain separate legal counsel to monitor the status and disposition of any claim or demand for which YPF or Maxus would be liable to GCA Indemnatee hereunder and, further, GCA Indemnatee and GCA Indemnatee's counsel shall be entitled to participate in, jointly with the counsel of YPF or Maxus in defending such action and the costs of so doing shall be fully covered by the indemnity provided by this Agreement.

b. Expenses Related to Indemnity. Expenses incurred by GCA Indemnatee in defending an action, suit or proceeding referenced in Section 4(a) hereof shall be paid by YPF or Maxus, as the case may be, in advance of the final disposition of such action, suit or proceeding at the written request of the GCA Indemnatee and upon the presentation of documents supporting the expenses for which reimbursement is sought. Prompt payment shall be made of any request for an advance pursuant to this Section 4(b) and in any event within ten (10) business days of receipt of the written request of the GCA Indemnatee. GCA Indemnatee may contest any refusal to make an advance by petitioning a court of appropriate jurisdiction to make an independent determination respecting Indemnatee's right to receive an advance, in accordance with the terms of Section 4(c) hereof.

c. Enforcement of Indemnity Rights. The right to indemnification or advances as provided by this Agreement shall be enforceable by GCA Indemnatee in any court of competent jurisdiction. YPF or Maxus, as the case may be, shall have the burden of proving that indemnification or advances are not required. YPF and Maxus agree to indemnify GCA Indemnatee against and hold GCA Indemnatee harmless from any judgments, fines, losses, claims, costs (including, without limitation, costs of settlement incurred by GCA Indemnatee) and reasonable expenses (including, without limitation, reasonable attorney's fees and court costs) sustained or incurred by GCA Indemnatee in connection with an action, suit or proceeding to establish GCA Indemnatee's rights to indemnification or advances pursuant to this Agreement if such right to indemnification is established or agreed to in part or in whole.

d. Survival of Indemnity Rights. The indemnity rights set forth in this Section 4 shall survive the termination of Gaffney's employment with Maxus.

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5. Successors and Assigns. This Agreement will be binding upon, and inure to the benefit of Maxus, YPF and their respective affiliates, successors and assigns and shall be binding upon and inure to the benefit of GCA and its affiliates (including, without limitation, each GCA Indemnatee), successors and assigns.

6. Modification or Waiver. No amendment, modification, waiver, termination or cancellation for this Agreement shall be binding or effective

for any purpose unless it is made in a writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought; it being understood and agreed that GCA shall be entitled to amend, modify, waive, terminate or cancel this Agreement on the behalf of any GCA Indemnatee.

7. Governing Law. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (EXCLUSIVE OF CONFLICTS OF LAW PRINCIPLES) AND WILL, TO THE MAXIMUM EXTENT PRACTICABLE, BE DEEMED TO CALL FOR PERFORMANCE IN DALLAS COUNTY, TEXAS.

8. Severability. Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

9. Counterparts. This Agreement may be executed on separate counterparts each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

10. Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

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IN WITNESS WHEREOF, the undersigned have executed this Agreement this 2nd day of May, 1995 effective as of the date first above written.

MAXUS ENERGY CORPORATION

By: /s/ MARK GENTRY

-----  
Name: Mark Gentry

-----  
Title: Vice President

YPF, S.A.

By: /s/ CEDRIC D. BRIDGER

-----  
Name: Cedric D. Bridger

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Title: Vice President

GAFFNEY, CLINE & ASSOCIATES, INC.

By: /s/ WILLIAM B. CLINE

-----  
William B. Cline, President

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<TYPE>EX-10.21  
 <SEQUENCE>10  
 <DESCRIPTION>AMENDMENT TO CHANGE IN CONTROL AGREEMENT  
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Exhibit 10.21

[MAXUS LETTERHEAD]

May 11, 1995

TO: W. Mark Miller

RE: AMENDMENT TO CHANGE IN CONTROL AGREEMENT

Dear Mark:

As you know, a "Change in Control," for purposes of the Change in Control Agreement between you and Maxus Energy Corporation ("Maxus") dated December 1, 1991 (the "Agreement"), occurred on April 5, 1995. In conjunction with the Change in Control, Maxus has agreed to request executives to agree to a post-Change in Control "standstill" period with respect to their agreements. The purpose of the "standstill" period is to help facilitate an orderly transition in the management of Maxus following the Change in Control. As consideration for your agreeing to a "standstill" period, Maxus will protect any severance benefits that could be lost under the terms of the Agreement by your continued employment during this "standstill" period. Accordingly, Maxus is hereby requesting that you agree to the following amendments to your Agreement:

1. Maxus agrees to continue your employment at your current job, at your current rate of base pay and with employee plan benefits at the levels and on the terms currently provided to you until June 30, 1995, and you agree not to terminate your employment prior to July 1, 1995.
2. If Maxus terminates your employment prior to July 1, 1995 for any reason other than for "Cause", as defined in the Agreement, it will pay you the severance compensation and benefits as set forth in the Agreement, without reduction with respect to the period of your continued employment following the date of the Change in Control.
3. If you terminate your employment prior to July 1, 1995, you will not be entitled to any payments or benefits under the Agreement.
4. The "Period of Employment", as defined in the Agreement, will be deemed for all purposes of the Agreement to commence on July 1, 1995.

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5. If you continue your employment with Maxus after June 30, 1995, the Agreement shall remain in full force and effect as originally written, except as amended by the terms of this letter.

If you agree to this letter amendment to your Agreement, please promptly sign, date and return this letter to the undersigned. The enclosed copy is for your files.

Sincerely,

/s/ MARK J. GENTRY

Mark J. Gentry

AGREED TO THIS  
 19th DAY OF May, 1995

/s/ W. MARK MILLER

-----  
 W. Mark Miller

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<DOCUMENT>  
 <TYPE>EX-10.22  
 <SEQUENCE>11  
 <DESCRIPTION>EMPLOYMENT AGREEMENT  
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Exhibit 10.22

# EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement"), effective as of July 1, 1995, by and between Maxus Energy Corporation, a Delaware corporation (the "Company") and W. Mark Miller (the Executive").

## WITNESSETH:

WHEREAS, the Executive is a senior executive of the Company and is expected to make major contributions to the success of the Company; and

WHEREAS, the Company desires to continue receiving the services of the Executive; and

WHEREAS, the Executive is willing to continue rendering services to the Company on the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, the Company and the Executive agree as follows:

1. Term of Agreement: The period during which this Agreement shall be in effect (the "Term") shall commence as of July 1, 1995 and, subject to the further provisions hereof, shall expire as of the close of business on June 30, 1999.

2. Employment: (a) Subject to the further terms and conditions of this Agreement, during the Term the Company shall continue the Executive in its employ at a grade level that is the same as, or is equivalent to, or, in the Company's discretion is higher than, his grade level immediately prior to the commencement of the Term. The Company may change the Executive's position, title, duties and/or responsibilities with the Company

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from time to time during the Term; provided, however, the Company shall not assign the Executive to a position the base pay of which would generally be valued in a competitive market as materially less than the Executive's Base Pay (as that term is hereafter defined). For purposes of this Agreement, employment with an affiliate of the Company shall be deemed employment with the Company. Throughout the Term, the Executive shall devote substantially all of his time during normal business hours (subject to vacations, sick leave and other absences in accordance with the policies of the Company as in effect for senior executives) to the business and affairs of the Company, but nothing in this Agreement shall preclude the Executive from devoting reasonable periods of time during normal business hours to (i) serving as a director, trustee or member of or participant in any organization or business so long as such activity would not constitute Competitive Activity (as that term is hereafter defined) if conducted by the Executive after the Executive's Termination Date (as that term is hereafter defined), (ii) engaging in charitable and community activities, or (iii) managing his personal investments.

(b) During the Term, the Executive shall be subject to reassignment to any of the Company's foreign or domestic locations at any time. On reassignment, the Company will attempt to take into account a number of factors, including the personal goals and desires, experience and performance of the Executive, and the needs of the Company. While an effort will be made to consider the needs and requirements of the Executive, the Company does not represent or promise that the Executive's needs will be accommodated and the Company reserves the right to select the location of the Executive's work assignment.

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3. Compensation During Term: (a) During the Term, the Executive shall (i) receive an annual salary at a rate not less than the Executive's annual base salary payable monthly or otherwise as in effect immediately prior to the commencement of the Term or such higher rate as may be determined from time to time thereafter by the Board of Directors of the Company (the "Board") or the Compensation Committee thereof (which base salary at such rate is herein referred to as "Base Pay") and (ii) participate in such incentive pay plan(s) or program(s) maintained by the Company for its senior executives at a level commensurate with similarly situated senior executives of the Company; provided, however, the sum of the Executive's Base Pay and incentive pay (the "Total Pay") for any year during the Term shall not be less than the sum of (x) the Executive's Base Pay as of the effective date of this Agreement and (y) the highest annual cash incentive amount paid to the Executive by the Company with respect to 1992, 1993 or 1994.

(b) During the Term, the Executive shall be a participant in, and shall be entitled on the same basis as similarly situated senior executives to the perquisites, benefits and service credit for benefits as provided under, any and all employee retirement income and welfare benefit policies, plans, programs, or arrangements in which similarly situated senior executives of the Company participate, including, without limitation, any savings, pension, supplemental executive retirement or other retirement income or welfare benefit, deferred compensation, group and/or executive life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Company), disability, salary continuation, expense reimbursement and other employee benefit policies, plans, programs or arrangements, including, if and for so long as the Executive is assigned to a work location

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outside the United States, such premiums, allowances and/or other benefits and any relocation policies afforded to similarly situated senior expatriate employees at such location on the same terms and subject to the same limitations afforded to such other senior expatriate employees (collectively, "Employee Benefits"); provided, however, that the Executive's rights thereunder shall be governed by the terms thereof and shall not be enlarged hereunder or otherwise affected hereby.

(c) The Executive shall receive \$76,592 within five business days after signing this Agreement and delivering same to the Company.

(d) If the Executive remains employed with the Company until June 30, 1996, then within five business days following that date the Company shall pay the Executive \$76,592 in a lump sum as a "stay-on" bonus, regardless of whether the Executive continues his employment following June 30, 1996.

(e) If the Executive remains employed with the Company until June 30, 1997, then within five business days following that date the Company shall pay the Executive \$76,592 in a lump sum as an additional "stay-on" bonus, regardless of whether the Executive continues his employment following June 30, 1997.

4. Termination: (a) This Agreement may be terminated by the Company during the Term only upon the occurrence of one or more of the following events:

(i) If the Executive is unable to perform the essential functions of his job (with or without reasonable accommodation) because he has become permanently disabled within the meaning of, and actually begins to receive disability benefits

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pursuant to, the long-term disability plan in effect for senior executives of the Company; or

(ii) The Executive refuses to accept a reassignment to a new work

location; or

(iii) For "Cause", which for purposes of this Agreement shall mean that, prior to any other termination of employment, the Executive shall have committed:

(A) an intentional act of fraud, embezzlement or theft in connection with his duties or in the course of his employment with the Company;

(B) intentional wrongful damage to property of the Company;

(C) intentional wrongful disclosure of secret processes or confidential information of the Company; or

(D) intentional wrongful engagement in any Competitive Activity; and any such foregoing act shall have been materially harmful to the Company. For purposes of this Agreement, an act, or failure to act, on the part of the Executive shall be deemed "intentional" only if done, or omitted to be done, by the Executive not in good faith and without reasonable belief that his action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for "Cause" hereunder unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the Board then in office at a meeting of the Board called and held for such purpose (after reasonable notice to the Executive and an opportunity for the Executive, together with his counsel, to be heard before the Board) finding that,

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in the good faith opinion of the Board, the Executive had committed an act set forth above in this Section 4(a)(iii) and specifying the particulars thereof in detail. Nothing herein shall limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

(b) This Agreement may be terminated by the Executive during the Term with the right to benefits as provided in Section 5(a) hereof only upon the occurrence of one or more of the following events:

(i) Any termination of the employment of the Executive by the Company for any reason other than for Cause, by reason of the Executive's disability and the actual receipt of disability benefits as described in Section 4(a)(i) hereof, or due to the Executive's refusal to accept a reassignment to a new work location; or

(ii) The occurrence of any of the following events:

(A) A reduction in the Executive's grade level from his grade level, or its equivalent, immediately prior to the commencement of the Term, a reduction in the Executive's Total Pay or the termination of the Executive's ability to participate in any incentive plan or Employee Benefits in which other similarly situated senior executives of the Company continue to be entitled to participate;

(B) The liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or a significant portion of its business and/or assets, unless the successor or successors (by liquidation,

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merger, consolidation, reorganization or otherwise) to which all or a significant portion of its business and/or assets have been transferred shall have assumed (directly or by operation of law) all duties and obligations of the Company

under this Agreement pursuant to Section 10 hereof; or

(C) Any material breach of this Agreement by the Company or any successor thereto, which is not remedied within ten business days after written notice of such breach is given to the Company by the Executive.

(c) This Agreement shall terminate on the date of the Executive's termination of employment for any reason not covered by Section 4(a) or (b) or Section 5(b), including, without limitation, the death of the Executive.

(d) Except as provided below, a termination of the Executive's employment, whether by the Company or by the Executive, shall not affect any rights which the Executive may have pursuant to any other agreement, policy, plan, program or arrangement of the Company providing Employee Benefits, which rights shall be governed by the terms thereof. However, notwithstanding the foregoing, the Executive hereby agrees and acknowledges that, regardless of the reason for his termination of employment, the amount of separation or severance pay and/or benefits he is entitled to receive, if any, under the Maxus Energy Corporation Separation Pay Plan, the Maxus International Energy Company Separation Pay Plan For Expatriate Employees or any other severance plan or program of the Company or its affiliates, as in effect on the date of termination, shall be reduced by any severance compensation he receives or is entitled to receive under Section 5 hereof. Moreover, if the Executive is not eligible to receive separation or severance pay and/or benefits under such

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severance plans and programs, the Company agrees (without duplication) to pay the Executive upon termination a minimum severance payment under this Agreement in an amount, if any, equal to the amount the Executive would have been entitled to receive under such separation or severance plans or programs had he been eligible thereunder in the absence of this Agreement, less any severance compensation the Executive receives under Section 5 hereof.

5. Severance Compensation: (a) If the Company shall terminate the Executive's employment during the Term other than pursuant to Section 4(a) hereof, or if the Executive shall terminate his employment during the Term pursuant to Section 4(b) hereof, then, subject to the further provisions of this Section 5, the Company shall pay to the Executive the amount specified in Section 5(a)(i) hereof within five business days after the date the Executive's employment is terminated (the "Termination Date") and shall provide for the Continuing Employee Benefits specified in Section 5(a)(ii):

(i) In lieu of any further payments of Base Pay and incentive compensation to the Executive for periods subsequent to the Termination Date, the Company shall pay the Executive a lump sum amount (the "Severance Payment") equal to his Total Pay calculated at the highest rate theretofore paid during the Term multiplied by the number of years (including fractional years) remaining in the Term, but not to exceed three years (such period being the "Continuation Period"); and

(ii) For the remainder of the Continuation Period, the Company shall provide the Executive with Employee Benefits substantially similar to those which (and

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on the same terms as) the Executive was receiving or entitled to receive immediately prior to the Termination Date (the "Continuing Employee Benefits") (and if and to the extent that such benefits cannot be paid or provided under any policy, plan, program or arrangement of the Company, then the Company shall itself pay or provide for the payment to the Executive, his dependents and beneficiaries, such Continuing Employee Benefits). Without limiting the generality of the foregoing, the Continuation Period shall be considered, to the extent permitted by applicable law, service with the Company for the purpose of service credits under the Company's qualified retirement plans and supplemental executive retirement and other nonqualified benefit plans applicable to the Executive or his



beneficiaries immediately prior to the Termination Date. If and to the extent any such benefits cannot be paid or provided under the applicable plan solely due to the fact the Executive is no longer an officer or employee of the Company, the Company shall itself pay or provide such benefits to the Executive or, if applicable, his dependents and beneficiaries. Further, without otherwise limiting the purposes or effect of Section 6 hereof, the Continuing Employee Benefits provided to or on behalf of the Executive pursuant to this Section 5(a)(ii) by reason of any "welfare benefit plan" of the Company (as the term "welfare benefit plan" is defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended) shall be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Continuation Period.

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(b) If the Executive's employment with the Company is terminated prior to July 1, 1997, whether by the Company or the Executive, due to his refusal to accept a reassignment to a new work location, the Company shall pay the Executive within five business days of such Termination Date an amount equal to (x) one-twelfth of his Base Pay at the rate in effect immediately prior to the termination ("Final Base Pay") times his total years of service with the Company and its affiliates, including partial years ("Years of Service"), if the Executive's work location immediately prior to termination is in the United States, or (y) one-twelfth of his Final Base Pay times his total Years of Service times two, if the Executive's work location immediately prior to termination is outside the United States; provided, however in no event shall such applicable payment exceed two times the amount of the Executive's Final Base Pay.

(c) Notwithstanding any provision of this Agreement to the contrary, in no event shall any payment made or to be made and/or any benefits provided or to be provided to or on behalf of the Executive pursuant to this Agreement that constitutes a "parachute payment", within the meaning of section 280G of the Internal Revenue Code (the "Code"), individually or collectively, or when aggregated with any other parachute payment to the Executive, whether or not made pursuant to this Agreement, results in the Executive receiving an "excess parachute payment," within the meaning of section 280G of the Code which gives rise to liability for an excise tax under Section 4999 of the Code, and to the extent it is necessary to avoid such an excess parachute payment, the applicable payment and/or benefits otherwise due hereunder shall be automatically reduced in whole or in part so that no such payment or benefit hereunder constitutes such an excess parachute

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payment. However, in the event of any such reduction, the Executive shall have the option to elect to receive, in lieu of all or a portion of the applicable payment, one or more of the Continuing Employee Benefits, provided that prior to the receipt of such payment, the Executive gives the Company notice of such election specifying the Continuing Employee Benefit(s) so elected to be received. Further, in the event the Executive inadvertently receives a payment and/or benefit hereunder that is subsequently determined to be such an excess parachute payment, the Executive shall be obligated to return such portion of the payment, with interest, and/or reimburse the Company for such Continuing Employee Benefit(s), all in a manner that results in the Executive not having received such an excess parachute payment.

(d) The determination of whether any amount or benefit otherwise payable or provided under this Agreement would be such an excess parachute payment shall be made by tax counsel selected by the Company and reasonably acceptable to the Executive. The costs of obtaining such determination shall be borne by the Company. The fact that the Executive shall have his right to a payment or benefit reduced as a result of the limitations contained in this Section 5 shall not limit or otherwise affect any rights of the Executive arising other than pursuant to this Agreement; provided, however, the Company shall not be obligated to make any payment to the Executive whether under this Agreement or otherwise, that would constitute an excess parachute payment that gives rise to liability for an excise tax under Section 4999 of the Code.

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(e) There shall be no right of set-off or counterclaim in respect of any claim, debt or obligation against any payment to or for the benefit of the Executive provided for in this Agreement.

6. No Mitigation Obligation: The Company hereby acknowledges that it will be difficult, and may be impossible, for the Executive to find reasonably comparable employment following the Termination Date and that the noncompetition covenant contained in Section 7 hereof will further limit the employment opportunities for the Executive. In addition, the Company acknowledges that its severance pay plans applicable in general to its salaried employees do not provide for mitigation, offset or reduction of any severance payment received thereunder. Accordingly, the parties hereto expressly agree that the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement will be liquidated damages, and that the Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in Section 5 hereof.

7. Competitive Activity: During a period ending one year following the Termination Date, if the Executive shall have received or shall be receiving benefits under Section 5 hereof, the Executive shall not, without the prior consent of the Company, which consent shall not be unreasonably withheld, engage in any Competitive Activity. For purposes of this Agreement, the term "Competitive Activity" shall mean the Executive's

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participation in the management of any business enterprise which is principally engaged in the exploration for or production of hydrocarbons in Texas, Oklahoma, Indonesia, Argentina, Bolivia, Colombia, Ecuador, or Venezuela. "Competitive Activity" shall not include (i) the mere ownership of securities in any such enterprise and exercise of rights appurtenant thereto or (ii) participation in management of any such enterprise or business operation thereof other than in connection with the competitive operation of such enterprise.

8. Legal Fees and Expenses: (a) It is the intent of the Company that the Executive not be required to incur the expenses associated with the enforcement of his rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void and unenforceable, or institutes any litigation designed to deny, or to recover from, the Executive the benefits intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of his choice, at the expense of the Company as hereafter provided, to represent the Executive in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the

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Executive's entering into an attorney-client relationship with such counsel (other than Andrews & Kurth L.L.P. or Jones, Day, Reavis & Pogue), and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. The Company shall pay or cause to be paid and shall be solely responsible for any and all attorneys' and

related fees and expenses incurred by the Executive as a result of the Company's failure to perform this Agreement or any provision thereof or as a result of the Company or any person contesting the validity or enforceability of this Agreement or any provision thereof as aforesaid.

(b) In order to ensure the benefits intended to be provided to the Executive under Section 8(a) hereof, the Company has established an irrevocable standby Letter of Credit in favor of the Executive drawn on a bank selected by the Company (the "Letter of Credit") which provides for a credit amount of \$250,000 being made available to the Executive against presentation at any time and from time to time of his clean sight drafts, accompanied by statements of his counsel for fees and expenses, in an aggregate amount not to exceed \$250,000.

(c) The Company's obligations under this Article 8 and specifically (without limitation) the obligation to maintain the Letter of Credit shall continue until the later of (A) the earlier of (i) June 30, 1999, or (ii) six months after the termination of this Agreement under Section 4(a), (b) or (c) or (B) if any litigation or legal action as contemplated in Section 8(a) is commenced within six months after the termination of this Agreement under Section 4(a), (b) or (c), the conclusion of such litigation or other legal action.

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<PAGE> 15

9. Withholding of Taxes: The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or government regulation or ruling.

10. Successors and Binding Agreement: (a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business and/or assets of the Company, or any of its affiliates of either the Company or such a successor that is or becomes the Executive's employer, by agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement shall be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business and/or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the "Company" for the purposes of this Agreement), but shall not otherwise be assignable, transferable or delegable by the Company.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and/or legatees.

(c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Section 10(a) hereof. Without

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<PAGE> 16

limiting the generality of the foregoing, the Executive's right to receive payments hereunder shall not be assignable, transferable or delegable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by his will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 10(c), the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.

(d) The Company and the Executive recognize that each party will have no adequate remedy at law for breach by the other of any of the agreements contained herein and, in the event of any such breach, the Company and the Executive hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of this Agreement.

11. Notices: For all purposes of this Agreement, all communications provided for herein shall be in writing and shall be deemed to have been duly given when delivered or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive offices and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of change of address shall be effective only upon receipt.

12. Governing Law: The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware, without giving effect to the principles of conflict of laws of such State.

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<PAGE> 17

13. Validity: If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances shall not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

14. Miscellaneous: No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

15. Prior Agreements: This Agreement is voluntarily entered into and supersedes and takes the place of all prior change in control and employment agreements, as amended, between the parties hereto. The parties hereto expressly agree and hereby declare that any and all prior change in control and employment agreements, as amended, are hereby terminated and of no further force or effect.

16. Counterparts: This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

-17-

<PAGE> 18

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

MAXUS ENERGY CORPORATION

By: /s/ MARK J. GENTRY

-----  
Vice President

EXECUTIVE

/s/ W. MARK MILLER

-----  
W. Mark Miller

-18-

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<PAGE> 1

Exhibit 10.23

April 7, 1995

TO: \_\_\_\_\_

RE: CHANGE IN CONTROL AGREEMENT DATED \_\_\_\_\_

Dear \_\_\_\_\_:

This has reference to the Change in Control Agreement (the "Agreement") dated \_\_\_\_\_ between you and Maxus Energy Corporation ("Maxus"). Notwithstanding anything in the Agreement to the contrary, you and Maxus agree that a "Change in Control," as defined in the Agreement, occurred on April 5, 1995 and a significant adverse change in the nature and scope of the authorities or duties of your position with Maxus has occurred. Consequently, you have given notice of your intention to terminate your employment with Maxus immediately pursuant to paragraph 4(b)(ii) of the Agreement. Maxus recognizes its obligation to pay and agrees to pay you severance compensation, including benefits, to the full extent provided for in paragraph 5 of the Agreement within five days after the amount payable thereunder is determined (but not later than \_\_\_\_\_) without reduction for any payments contemplated below except as provided herein. In order to facilitate the transition required by these events, you and Maxus agree as follows: (a) Maxus agrees to employ you at your current position, at your current job site, at your current rate of base pay and with employee plan benefits at the levels and on the terms currently provided to you until \_\_\_\_\_ and (b) you agree to work for Maxus in such position and on such terms and conditions until June 30, 1995. If you terminate your employment prior to \_\_\_\_\_ without the written consent of Maxus, an amount equal to the base salary paid to you from the date hereof through your termination date will be deducted from the amount payable to you under the Agreement and either refunded by you or deducted from any amounts Maxus may owe you.

Please indicate your agreement to the foregoing by dating, signing and returning a copy of this letter to the undersigned.

Sincerely,

<PAGE> 2

AGREED TO THIS  
 \_\_\_ DAY OF APRIL, 1995

-----  
 [Executive]

Agreed to by YPF Sociedad Anonima and YPF Acquisition Corp., who agree that this agreement does not constitute a breach of Maxus' representations, warranties or covenants contained in the Agreement of Merger dated as of February 28, 1995.

YPF Sociedad Anonima

YPF Acquisition Corp.

By: \_\_\_\_\_

By: \_\_\_\_\_

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Exhibit 10.24

[MAXUS LETTERHEAD]

April 13, 1995

TO: Michael C. Forrest

RE: Change in Control Agreement

Dear Mike:

This letter has reference to the letter agreement dated April 7, 1995 between you and Maxus concerning Maxus' obligations under that certain Change in Control Agreement dated June 1, 1992. You and Maxus are engaged in discussions concerning your possible employment beyond the June 30, 1995 date specified in said letter. In order to facilitate such discussions, you and Maxus have mutually agreed to extend the date by which Maxus must pay you severance compensation as contemplated in said letter agreement until July 3, 1995. Except as modified as to the payment date by the preceding sentence, Maxus' obligations under said April 7 letter agreement remain in full force and effect.

Please indicate your agreement to the foregoing by signing and returning a copy of this letter.

MAXUS ENERGY CORPORATION

/s/ MARK J. GENTRY

Mark J. Gentry, Vice President

AGREED TO  
 APRIL 13, 1995

/s/ MICHAEL C. FORREST

-----  
 Michael C. Forrest

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<PAGE> 1

Exhibit 10.25

\_\_\_\_\_, 1995

TO: \_\_\_\_\_

RE: Change in Control Severance Payment

Dear \_\_\_\_\_:

This letter has two primary purposes. The first is to evidence your receipt of \$\_\_\_\_\_ (the "Estimated Payment") from Maxus. The second is to set forth your and Maxus' understanding and agreement with respect to such payment.

1. The Estimated Payment represents an initial estimate of the

lump sum "Severance Payment" you are due pursuant to paragraph 5(a)(i) of the Change in Control Agreement (the "Agreement") dated \_\_\_\_\_ between you and Maxus.

2. You have not designated the "Employee Benefits" (as defined in the Agreement) you want to receive pursuant to the Agreement. However, you acknowledge and agree that to the extent the receipt of any Employee Benefits constitutes "parachute payments" (as defined in Section 280G of the Internal Revenue Code of 1986, as amended ("Section 280G")) you will not be entitled to receive any such Employee Benefits that would cause the "present value" (as determined under Section 280G) of all parachute payments made to you by Maxus to exceed 299% of your "base amount" (as defined in Section 280G).

3. If and to the extent the Estimated Payment is

- (a) less than the present value of the sum of your aggregate "Base Pay" and aggregate "Incentive Pay" calculated in the manner prescribed in paragraph 5(a)(i) (the "Gross Severance Amount") and
- (b) the total of the Estimated Payment, the present value of any Employee Benefits you elect to receive that constitute parachute payments, and the present value of any other parachute payments you receive from Maxus also is less than 299% of your base amount,

Maxus agrees to pay you the difference between the Estimated Payment and the Gross Severance Amount, but in no event will such

<PAGE> 2  
Severance Payment  
\_\_\_\_\_, 1995  
Page 2

payment exceed an amount that when added to all other parachute payments received by you would cause you to receive parachute payments in excess of 299% of your base amount.

4. Nothing in this letter, the Agreement or any other agreement or understanding between you and Maxus is intended to and shall not be construed to obligate Maxus to pay you any parachute payment that when added to all other parachute payments received by you would cause you to receive parachute payments in excess of 299% of your base amount. In this connection,

- (a) all parachute payments made by Maxus to you are subject to an automatic reduction if and to the extent they would cause you to receive total parachute payments in excess of 299% of your base amount, and
- (b) you specifically agree to reimburse Maxus promptly if and to the extent it makes any payment to you which would cause you to receive total parachute payments in excess of 299% of your base amount.

5. Nothing in this letter is intended to and shall not be construed to alter your obligation to reimburse Maxus for a portion of the Severance Payment to which you are otherwise entitled as set forth in that certain letter agreement dated \_\_\_\_\_ if you terminate your employment with Maxus prior to \_\_\_\_\_ without Maxus' prior consent.

Please acknowledge receipt of the Estimated Payment and your agreement to the foregoing by signing and returning one copy of this letter.

MAXUS ENERGY CORPORATION

-----

I ACKNOWLEDGE RECEIPT OF THE  
ESTIMATED PAYMENT AND AGREE  
TO THE TERMS OF THIS LETTER

-----

[Executive]  
 [Date]  
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## EXHIBIT 21.1

LIST OF SUBSIDIARIES, MAXUS ENERGY  
 CORPORATION

MAXUS ENERGY CORPORATION - Delaware  
 Diamond Shamrock Europe Limited - England  
 Maxus Gas Marketing Company - Delaware  
 Maxus Indonesia, Inc. - Delaware  
 Maxus Northwest Java, Inc. - Delaware  
 Maxus Southeast Sumatra, Inc. - Delaware  
 Maxus Industrial Gas Company - Delaware  
 Maxus Offshore Exploration Company - Delaware  
 Maxus (U.S.) Exploration Company - Delaware  
 Natomas North America, Inc. - California  
 Trice Properties, Inc. - Delaware  
 Wheeling Gateway Coal Company - Delaware  
 Gateway Coal Company - Pennsylvania  
 MAXUS INTERNATIONAL ENERGY COMPANY - Delaware  
 Diamond Shamrock China Petroleum Limited - Bahamas  
 Falcon Seaboard, Inc. - Delaware  
 Maxus Angola, Inc. - Delaware  
 Maxus Aru Inc. - Delaware  
 Maxus Bolivia, Inc. - Delaware  
 Maxus Bulgaria, Inc. - Delaware  
 Maxus Chile, Inc. - Delaware  
 Maxus China (C.I.) Ltd. - Cayman Islands  
 Maxus Colombia, Inc. - Delaware  
 Maxus Ecuador Inc. - Delaware  
 Maxus Egypt, Inc. - Delaware  
 Maxus Energy Co. (U.K.) Limited - England  
 Maxus Energy Global B.V. - The Netherlands  
 Maxus Energy Trading Company - Delaware  
 Maxus Ethiopia, Inc. - Delaware  
 Maxus Fifi Zaitun, Inc. - Delaware  
 Maxus Gabon Inc - Delaware  
 Maxus Guarapiche Ltd. - Cayman Islands  
 Maxus International Services Company - Texas  
 Maxus Madagascar, Inc. - Delaware  
 Maxus Mahdia East, Inc. - Delaware  
 Maxus Morocco, Inc. - Delaware  
 Maxus New Zealand Limited - New Zealand  
 Maxus North Sea, Inc. - Delaware  
 Maxus Paraguay, Inc. - Delaware  
 Maxus Slovakia, Inc. - Delaware  
 Maxus Southeast Asia New Ventures, Inc. - Delaware  
 Maxus Spain, Inc. - Delaware  
 Maxus Tasmania, Inc. - Delaware  
 Maxus Tunisia Inc. - Delaware  
 Maxus Venezuela (C.I.) Ltd. - Cayman Islands  
 Maxus Venezuela S.A. - Venezuela  
 Natomas Overseas Finance N.V. - Netherlands Antilles  
 Transworld Petroleum Corporation - Delaware  
 MIDGARD ENERGY COMPANY - Delaware  
 MAXUS CORPORATE COMPANY - Delaware  
 Biospecific Technologies, Inc. - Delaware  
 Boja Realty Corp. - New York  
 Quail Hollow Properties, Inc. - Ohio  
 Chemical Land Holdings, Inc. - Delaware  
 Crile Road Investments, Inc. - Ohio  
 Delaware City Plastics Corporation - Delaware  
 Diamond Gateway Coal Company (Partner of Gateway Coal  
 Company) - Delaware  
 Diamond Shamrock Venezolana, S.A. - Venezuela  
 DSC Acquisition, Inc. - Delaware  
 DSC Holdings, Inc. - Delaware

<PAGE> 2



DSC Investment Management Company - Delaware  
DSC Receivables, Inc. - Delaware  
DST Corporation - Delaware  
Duolite International, Inc. - Delaware  
Emerald Mining Company - Delaware  
Gateway Land Company - Delaware  
Greenstone Assurance Ltd. - Bermuda  
Insulating Aggregates, Inc. - Louisiana  
Leon Properties, Inc. (d/b/a Riverside Farms) - Texas  
RMC Securities - Texas  
Maxus Agricultural Chemicals, Inc. - Delaware  
DSC Products International, Inc. - Delaware  
Fint Corporation - Delaware  
Maxus International Corporation - Delaware  
Maxus Realty Company - Texas  
OCV Corporation - Delaware  
QHRP Investments, Inc. - Ohio  
The Harbor Land Company - Ohio  
V.E.P. Corporation - Delaware

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EXHIBIT 23.1

#### CONSENT OF INDEPENDENT ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statement on Form S-8 (No. 33-28353), as amended.

/s/ Arthur Andersen LLP  
-----  
Arthur Andersen LLP

Dallas, Texas  
March 20, 1996

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EXHIBIT 23.2

#### CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-28353) of Maxus Energy Corporation, of our report dated February 28, 1995 appearing on page F-29 of this Form 10-K.

/s/ Price Waterhouse LLP  
-----  
Price Waterhouse LLP

Dallas, Texas  
March 20, 1996

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Exhibit 24.1

POWER OF ATTORNEY

THE STATE OF TEXAS

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF DALLAS

That the undersigned hereby constitutes and appoints Lynne P. Ciuba, H. R. Smith and David A. Wadsworth, and each of them, his true and lawful attorney or attorneys-in-fact with full power of substitution and resubstitution, for him and in his name, place and stead, to sign on his behalf as a director or officer, or both, as the case may be, of Maxus Energy Corporation (the "Corporation"), the Corporation's Form 10-K Annual Report pursuant to Section 13 of the Securities Exchange Act of 1934, as amended, for fiscal year ended December 31, 1995, and to sign any or all amendments to such Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney or attorneys-in-fact, and to each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

January 15, 1996

/s/ ROBERTO MONTI

-----  
 Roberto Monti

<PAGE> 2

Exhibit 24.1

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January 15, 1996

/s/ W. MARK MILLER

W. Mark Miller

<PAGE> 3

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January 15, 1996

/s/ LINDA R. ENGELBRECHT

-----  
Linda R. Engelbrecht

<PAGE> 4

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January 15, 1996

/s/ CHARLES L. BLACKBURN

-----  
Charles L. Blackburn

<PAGE> 5

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January 15, 1996

/s/ CEDRIC BRIDGER

-----  
Cedric Bridger

&lt;PAGE&gt; 6

Exhibit 24.1

## POWER OF ATTORNEY

THE STATE OF TEXAS

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January 15, 1996

/s/ GEORGE L. JACKSON

-----  
George L. Jackson

&lt;PAGE&gt; 7

Exhibit 24.1

## POWER OF ATTORNEY

THE STATE OF TEXAS

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January 15, 1996

/s/ NELLS LEON

-----  
Nells Leon

<PAGE> 8

Exhibit 24.1

POWER OF ATTORNEY

THE STATE OF TEXAS

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January 15, 1996

/s/ JAMES R. LESCH

-----  
James R. Lesch

<PAGE> 9

Exhibit 24.1

POWER OF ATTORNEY

THE STATE OF TEXAS

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January 15, 1996

/s/ P. DEXTER PEACOCK

P. Dexter Peacock

<PAGE> 10

Exhibit 24.1

#### POWER OF ATTORNEY

THE STATE OF TEXAS

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF DALLAS

That the undersigned hereby constitutes and appoints Lynne P. Ciuba, H. R. Smith and David A. Wadsworth, and each of them, his true and lawful attorney or attorneys-in-fact with full power of substitution and resubstitution, for him and in his name, place and stead, to sign on his behalf as a director or officer, or both, as the case may be, of Maxus Energy Corporation (the "Corporation"), the Corporation's Form 10-K Annual Report pursuant to Section 13 of the Securities Exchange Act of 1934, as amended, for fiscal year ended December 31, 1995, and to sign any or all amendments to such Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney or attorneys-in-fact, and to each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

January 15, 1996

/s/ R. A. WALKER

R. A. Walker

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Exhibit 24.2

#### POWER OF ATTORNEY

THE STATE OF TEXAS

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF DALLAS

That the undersigned, Maxus Energy Corporation, hereby constitutes and appoints Lynne P. Ciuba, H. R. Smith and David A. Wadsworth, and each of them the true and lawful attorney or attorneys-in-fact with full power of substitution and resubstitution, to sign on the Corporation's behalf the Form 10-K Annual Report of the Corporation, pursuant to Section 13 of the Securities Exchange Act of 1934, as amended, for fiscal year ended December 31, 1995, and to sign any or all amendments to such Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney or attorneys-in-fact, and to each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

MAXUS ENERGY CORPORATION

/s/ ROBERTO MONTI

-----  
Roberto Monti  
President and Chief Executive Officer

March 1, 1996

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-----END PRIVACY-ENHANCED MESSAGE-----



2022-0-79

723320004

FILED

CERTIFICATE OF INCORPORATION

OF

DIAMOND SHAMROCK CORPORATE COMPANY

NOV 28 1983 10 AM

*Alma C. Kuylen*  
SECRETARY OF STATE

The undersigned, for the purpose of incorporating and organizing a company under the General Corporation Law of the State of Delaware (the "GCL"), does hereby certify as follows:

1. The name of the company is Diamond Shamrock Corporate Company (the "Company").
2. The address of the Company's registered office in the State of Delaware is 100 West Tenth Street, City of Wilmington, County of New Castle. The name of the Company's registered agent at such address is The Corporation Trust Company.
3. The purpose of the Company is to engage in any lawful act or activity for which a corporation may be organized under the GCL.
4. The total number of shares of capital stock which the Company shall have authority to issue is 1,000 shares of Common Stock, \$1.00 par value per share.
5. The name and mailing address of the incorporator is Timothy J. Fretthold, 3300 Diamond Shamrock Tower, 717 North Harwood Street, Dallas, Texas 75201.

6. The names and mailing addresses of the persons who are to serve as Directors of the Company until the first annual meeting of stockholders or until their successors are elected and qualified are as follows:

<u>Name</u>	<u>Mailing Address</u>
R. M. Ahlstrom	3300 Diamond Shamrock Tower 717 North Harwood Street Dallas, Texas 75201
J. L. Jackson	3300 Diamond Shamrock Tower 717 North Harwood Street Dallas, Texas 75201
J. F. Kelley	3300 Diamond Shamrock Tower 717 North Harwood Street Dallas, Texas 75201
W. H. Bricker	3300 Diamond Shamrock Tower 717 North Harwood Street Dallas, Texas 75201
J. A. Rush, Jr.	3300 Diamond Shamrock Tower 717 North Harwood Street Dallas, Texas 75201

7. The Board of Directors of the Company shall have power to adopt, alter, amend or repeal the By-Laws of the Company.

8. The Company reserves the right at any time and from time to time to alter, amend or repeal any provision contained in this Certificate, and other provisions authorized by the laws of the GCL at the time in force may be added or inserted, in the manner now or

hereafter prescribed by law; and all rights, preferences and privileges whatsoever nature conferred upon stockholders, Directors or any other persons whomsoever by and pursuant to this Certificate in its present form or as hereafter amended are granted subject to the rights hereby reserved.

IN WITNESS WHEREOF, the undersigned, being the incorporator hereinabove named, does hereby execute this Certificate of Incorporation this 21st day of November, 1983.

  
Timothy J. Fretthold

0297T

738076013

FILED

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

MAR 16 1968

10 AM  
H. J. H. H.

DIAMOND SHAMROCK CORPORATE COMPANY, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of said corporation, by unanimous written consent of its members, filed with the minutes of the board, adopted a resolution proposing and declaring advisable the following amendment to the Certificate of Incorporation of said corporation:

RESOLVED, that the Board of Directors hereby declares it advisable that the Corporation change its name, and in furtherance thereof that Article 1 of the Certificate of Incorporation be amended in its entirety to read as follows:

1. The name of the company is Maxus Corporate Company (the "Company").

SECOND: That in lieu of a meeting and vote of stockholders, the sole stockholder has given written consent to said amendment in accordance with the provisions of section 228 of the General Corporation Law of the State of Delaware.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of sections 242 and 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said DIAMOND SHAMROCK CORPORATE COMPANY has caused this certificate to be signed by D. C. Mielke, its Vice President, and attested by W. E. Notestine its Assistant Secretary, this 10th day of March 1988.

DIAMOND SHAMROCK CORPORATE COMPANY

By: *D. C. Mielke*  
D. C. Mielke, Vice President

ATTEST:

By *W. E. Notestine*  
W. E. Notestine  
Assistant Secretary

CERTIFICATE OF CHANGE OF LOCATION OF REGISTERED OFFICE  
AND OF REGISTERED AGENT


It is hereby certified that:

1. The name of the corporation (hereinafter called the "corporation") is: **MAXUS CORPORATE COMPANY**
2. The registered office of the corporation within the State of Delaware is hereby changed to 32 Loockerman Square, Suite L-100, Dover, Delaware 19901, County of Kent.
3. The registered agent of the corporation within the State of Delaware is hereby changed to The Prentice-Hall Corporation System, Inc., the business office of which is identical with the registered office of the corporation as hereby changed.
4. The corporation has authorized the changes hereinbefore set forth by resolution of its Board of Directors.

Signed on January 13 , 1992.

  
M. Middlebrook, (Vice)President

Attest:

  
D. A. Wadsworth, (Assistant)Secretary

AGREEMENT AND PLAN  
OF  
MERGER  
OF  
EMERALD MINING COMPANY  
OCV CORPORATION  
AND  
MAXUS CORPORATE COMPANY

AGREEMENT AND PLAN OF MERGER APPROVED on June 30, 1996 by Emerald Mining Company ("EMC"), OCV Corporation ("OCV") and Maxus Corporate Company ("MCC"), all business corporations of the State of Delaware, and by resolutions adopted by each of such corporations' Boards of Directors on such date.

1. EMC, OCV and MCC shall, pursuant to the provisions of the laws of the State of Delaware, be merged with and into a single corporation, to wit, MCC, which shall be the surviving corporation upon the effective date of the merger and which is sometimes hereinafter referred to as the "surviving corporation", and which shall continue to exist as said surviving corporation under its present name. The surviving corporation shall be governed by the laws of the State of Delaware, which is the jurisdiction of its organization. The separate existence of EMC and OCV, which are sometimes hereinafter referred to as the "terminating corporations", shall cease upon the effective date of the merger in accordance with the provisions of the Delaware General Corporation Law.
2. The certificate of incorporation of the surviving corporation as in force and effect upon the effective date of the merger in the State of Delaware, the jurisdiction of its organization, shall be the certificate of incorporation of said surviving corporation.
3. The by-laws of the surviving corporation as in force and effect upon the effective date of the merger will be the by-laws of said surviving corporation and will continue in full force and effect until changed, altered, or amended as therein provided and in the manner prescribed by the provisions of the laws of the State of Delaware.
4. The directors and officers in office of the surviving corporation upon the effective date of the merger shall be the members of the first Board of Directors and the first officers of the surviving corporation, all of whom shall hold their directorships and offices until the election and qualification of their respective successors or until their tenure is otherwise terminated in accordance with the by-laws of the surviving corporation.
5. Each issued share of each of the terminating corporations shall not be converted in the merger but, at the effective time of the merger, all such shares (and the certificates representing the same) shall be cancelled, and all rights thereof shall cease to exist, inasmuch as the sole shareholder of all the terminating corporations is MCC. The issued shares of the surviving corporation shall not be converted in any manner, but each said share which is issued as of the

effective date of the merger shall continue to represent one issued share of the surviving corporation.

6. The Agreement and Plan of Merger herein made and approved shall be submitted to the shareholder of the terminating corporations for its approval or rejection in the manner prescribed by the provisions of the Delaware General Corporation Law. Approval by the shareholder of the surviving corporation of the Agreement and Plan of Merger herein made and approved is not required under the provisions of the Delaware General Corporation Law.

7. In the event that this Agreement and Plan of Merger shall have been approved by the shareholder of the terminating corporations and the merger shall have been authorized by its duly adopted resolutions in the manner prescribed by the provisions of the Delaware General Corporation Law, each of the terminating corporations and the surviving corporation hereby stipulate that they will cause to be executed and filed and/or recorded any document or documents prescribed by the laws of the State of Delaware, and that they will cause to be performed all necessary acts therein and elsewhere to effectuate the merger.

EMERALD MINING COMPANY

By: David A. Wadsworth  
David A. Wadsworth, President

OCV CORPORATION

By: David A. Wadsworth  
David A. Wadsworth, President

MAXUS CORPORATE COMPANY

By: David A. Wadsworth  
David A. Wadsworth, Vice President



CERTIFICATE OF SECRETARY

EMERALD MINING COMPANY

The undersigned, being the Secretary of EMERALD MINING COMPANY, does hereby certify that the holder of all of the outstanding stock of said corporation dispensed with a meeting and vote of stockholders, and the sole stockholder entitled to vote consented in writing, pursuant to the provisions of Section 228 of the General Corporation Law of the State of Delaware, to the adoption of the foregoing Agreement and Plan of Merger.

Dated: June 30, 1996.

H. R. Smith  
H. R. Smith, Secretary

of

EMERALD MINING COMPANY

## OCV CORPORATION

Dated: June 30, 1996.

of

pr.probability

CERTIFICATE OF SECRETARY

MAXUS CORPORATE COMPANY

The undersigned, being the Secretary of MAXUS CORPORATE COMPANY, does hereby certify that the foregoing Agreement and Plan of Merger has been adopted upon behalf of said corporation pursuant to the provisions of Subsection (f) of Section 251 of the General Corporation Law of the State of Delaware, and that, as of the date of this Certificate, the outstanding shares of said corporation were such as to render the provisions of said Subsection (f) applicable.

Dated: June 30, 1996.

  
H. R. Smith, Secretary

of

MAXUS CORPORATE COMPANY

Filed: 02/27/91 **1990 ANNUAL FRANCHISE TAX REPORT**  
**Franchise Tax**  
**State of Delaware**

FORM P90-AF

**STATE OF DELAWARE**

MICHAEL N. CASTLE, Governor  
 MICHAEL HARKINS, Secretary of State  
 Phone (302) 739-4225

1 AGENT 9000010

THE CORPORATION TRUST COMPANY

CORPORATION TRUST CENTER

1209 ORANGE STREET

WILMINGTON

DE 19801

2 030191 2013246 003252000 0 8

DO NOT ALTER FILE NUMBER

2. FILE NUMBER 2013246 1		CORPORATION NAME MAXIS ENERGY CORPORATION		PHONE NUMBER (214) 953-2919	SEQ. NO. 001795
3. INCORPORATION DATE 07/19/1983	RENEWAL DATE	REVOCATION DATE	FEDERAL EMPLOYER ID. NO. TYPE Non-Responsive		
4. NATURE OF BUSINESS Exploration & Production		5. PRINCIPAL PLACE OF BUSINESS OUTSIDE OF DELAWARE 717 N. Harwood ST., DALLAS, TX 75201		6. PERIODS NOT ENGAGED IN BUSINESS DURING YEAR DATE FROM / / DATE TO / /	
7. AUTHORIZED STOCK A. BEGIN DATE 07/19/83 B. ENDING DATE		C. DESIGNATION OR STOCK CLASS COMMON PREFERRED	D. NO. OF SHARES 300,000,000 100,000,000	E. PAR VALUE/SHARE 1.0000 1.0000	F. NO. SHARES ISSUED
					G. TOTAL GROSS ASSETS
H. ASSET DATE					
8. A. FRANCHISE TAX \$ 130,000.00	B. \$50.00 PENALTY (IF APPLICABLE) \$	C. 1% MONTHLY INTEREST ON TAX & PENALTY (IF APPLIC.) \$ .00	D. ANNUAL FILING FEE \$ 20.00	E. PREV CREDIT OR BALANCE DUE \$ .00	F. PREPAID QUARTERLY PAYMENTS \$ 97,800.00
9. ASSETS FOR REGULATED INVESTMENT CORPS Jan. 1st Dec. 31st		DEDUCT PAYMENTS MADE AFTER 12/08/90	G. QUARTERLY INTEREST/CHECK CHG. \$ .00	TOTAL PAYMENT DUE \$ 32,520.00	
10. APPOINTED DATE OF NEXT ANNUAL MEETING OF STOCKHOLDERS TO ELECT DIRECTORS (MM/DD/YY) 04/30/91					
11. DIRECTORS					
NAME		STREET/CITY/STATE/ZIP		DATE TERM EXPIRES	
J. D. BARNES		717 N. Harwood ST., DALLAS, TX 75201		1993	
D. L. BLACK		717 N. Harwood ST., DALLAS, TX 75201		1991	
C. L. Blackburn		717 N. Harwood ST., DALLAS, TX 75201		1993	
B. C. Burchfiel		717 N. Harwood ST., DALLAS, TX 75201		1992	
P. E. COLDWELL		717 N. Harwood ST., DALLAS, TX 75201		1993	
12. OFFICERS					
NAME		STREET/CITY/STATE/ZIP		DATE TERM EXPIRES	
PRESIDENT C. L. Blackburn		717 N. Harwood ST., DALLAS, TX 75201		Indefinite	
VICE-PRESIDENT S. G. Crowell		717 N. Harwood ST., DALLAS, TX 75201		Indefinite	
SECRETARY D. A. WATKINS		717 N. Harwood ST., DALLAS, TX 75201		Indefinite	
TREASURER M. J. BARNON		717 N. Harwood ST., DALLAS, TX 75201		Indefinite	
OTHER OFFICERS D. L. BLACK		717 N. Harwood ST., DALLAS, TX 75201		Indefinite	
13. ORIGINAL SIGNATURE (OFFICER, DIRECTOR OR INCORPORATOR) TITLE DATE					
X <i>[Signature]</i>		SECRETARY		7/14/91	

MAXUS ENERGY CORPORATION

ATTACHMENT TO 1990 DELAWARE FRANCHISE TAX REPORT

LIST OF DIRECTORS

NAME	ADDRESS	DATE TERM EXPIRES
J. David Barnes	717 N. Harwood St., Dallas, TX 75201	1993
Darrell L. Black	717 N. Harwood St., Dallas, TX 75201	1991
Charles L. Blackburn	717 N. Harwood St., Dallas, TX 75201	1993
B. Clark Burchfiel	717 N. Harwood St., Dallas, TX 75201	1992
Philip E. Coldwell	717 N. Harwood St., Dallas, TX 75201	1993
Bruce B. Dice	717 N. Harwood St., Dallas, TX 75201	1992
Charles W. Hall	717 N. Harwood St., Dallas, TX 75201	1992
Raymond A. Hay	717 N. Harwood St., Dallas, TX 75201	1992
George L. Jackson	717 N. Harwood St., Dallas, TX 75201	1991
John T. Kimbell	717 N. Harwood St., Dallas, TX 75201	1991
Richard W. Murphy	717 N. Harwood St., Dallas, TX 75201	1991
W. Thomas York	717 N. Harwood St., Dallas, TX 75201	1993



1983 ANNUAL FRANCHISE TAX REPORT  
STATE OF DELAWARE

First National Bank of Chicago  
Delaware Franchise Tax  
P.O. Box 70537  
Chicago, Illinois 60673  
(312) 736-4225

ORIGINAL  
RETURN THIS COPY

FILED  
FEB 27 1984 10 35 06

1. AGENT NUMBER: 9000010  
THE CORPORATION TRUST COMPANY  
100 WEST TENTH ST

2. FILE NUMBER: 20152-46

PRINTED: 10/18/83

DIAMOND SHAMROCK CORPORATION

WILMINGTON DE 19801

3. GENERAL

4. DATE OF INCORPORATION: 7/19/83 DATE OF RENEWAL:

5. FEDERAL EMPLOYER ID NUMBER:

Non-Responsive

6. NATURE OF BUSINESS:

7. PRINCIPAL PLACE OF BUSINESS OUTSIDE OF DELAWARE: 717 N. Harwood ST. DALLAS, TX 75201  
STREET CITY/STATE/ZIP CODE

8. ANY PERIODS NOT ENGAGED IN BUSINESS ACTIVITY DURING CALENDAR YEAR. FROM: / / TO: / /  
MM DD YY MM DD YY

9. AUTHORIZED STOCK:

A. BEGIN PERIOD	B. END PERIOD	C. DESIGNATION OF CLASS	D. NUMBER OF SHARES	E. PAR VALUE PER SHARE	F. NUMBER OF SHARES ISSUED	G. TOTAL GROSS ASSETS	H. ASSET DATE
7/19/83		COM Preferred	300,000,000 100,000,000	1.0000 1.0000	126,552,129 6,682,333		12/31/83

10. FRANCHISE TAX AND FEES:

	STATES CALCULATION
A. FRANCHISE TAX DUE	\$ 20.00
B. PENALTY OF \$25.00 (IF APPLICABLE)	\$ .00
C. INTEREST OF 12% MONTH ON TAX & PENALTY (IF APPLICABLE)	\$ .00
D. FEE FOR FILING THIS ANNUAL TAX REPORT	\$ 10.00
E. PREVIOUS CREDIT OR BALANCE	\$ 100
F. PREPAID QUARTERLY PAYMENTS	\$ 100
G. 1983 QUARTERLY INTEREST	\$ 100
H. TOTAL PAYMENT	\$ 30.00

CORPORATIONS CALCULATION

\$ 50.00
\$
\$
\$ 10
\$
\$
\$
\$ 50.00
\$ 50.00

\* DEDUCT PAYMENTS MADE AFTER 10/18/83

11. APPOINTED DATE OF NEXT ANNUAL MEETING OR RECOMMENDED TO ELECT DIRECTORS (MONTH/YEAR)

12. DIRECTORS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
	W. H. BRICKER	717 N. Harwood ST. DALLAS, TX 75201	
	J. L. JACKSON	"	
	J. A. RUSH, JR.	112 W. 8TH ST. AMARILLO, TX 79101	

13. OFFICERS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
PRESIDENT	J. L. JACKSON	717 N. Harwood ST. DALLAS, TX 75201	
VICE-PRESIDENT	R. M. AHLSTROM	"	
SECRETARY	T. J. FREYHOLD	"	
TREASURER	D. C. MIERKE	"	
OTHER OFFICERS	(Asst Controller) C. J. Wynd	"	

14. ORIGINAL SIGNATURE (OFFICER, DIRECTOR OR INCORPORATOR) C. J. Wynd TITLE ASSISTANT CONTROLLER DATE 2/16/84  
DUE ON OR BEFORE MARCH 1, 1984

DOC. # 20-05/83/10/01 - 53,439

## 1984 ANNUAL FRANCHISE TAX REPORT

Delaware Transpax Inc.  
P.O. Box 70537  
Chicago, IL 60675  
(312) 735-4225

## STATE OF DELAWARE

**\$50.00 Penalty if not received  
by March 1, 1984**

FILED

BAR - 1 85 2 1 2 6 4 7

4234

1. CORPORATION: 2013266 DESIGN: SHAIROCK CORPORATION

10/23/03

2. AGENT: SUBORDINATE THE CORPORATION TRUST COMPANY

CORPORATION TRUST CENTER

1967 ORANGE SIXTY:

**WILMINGTON**

DE 17403

3. CORPORATION DATA:

TYPE: GENERAL

FEDERAL EMPLOYER ID NUMBER:

Non-Responsive

DATE OF INCORPORATION: 07/19/1983 DATE OF RENEWAL:

DATE OF REVOCATION:

NATURE OF BUSINESS: Integrated Oil & Gas Company

PRINCIPAL PLACE OF BUSINESS OUTSIDE OF DELAWARE: 717 W. Farwood St., Dallas, Texas 75201

4. ANY PERIODS NOT ENGAGED IN BUSINESS ACTIVITY DURING CALENDAR YEAR. FROM: \_\_\_\_/\_\_\_\_/\_\_\_\_ TO: \_\_\_\_/\_\_\_\_/\_\_\_\_  
MM DD YY MM DD YY

5. AUTHORIZED STOCK:

A. BEGIN PERIOD	B. END PERIOD	C. DESIGNATION ON STOCK CLASS	D. NUMBER OF SHARES	E. PAR VALUE PER SHARE	F. NUMBER OF SHARES ISSUED	G. TOTAL GROSS ASSETS	H. ASSET DATE MM / DD / YY
07/19/83		COMMON	300,000,000	\$ 1.0000		\$	
		PREFERRED	100,000,000	\$ 1.0000			

6. FRANCHISE TAX AND FEES:

A. FRANCHISE TAX DUE	\$130,000.00	\$ 130,000.00
B. PENALTY OF \$50.00 (IF APPLICABLE)	\$ 00	\$
C. INTEREST OF 1% MONTH ON TAX & PENALTY (IF APPLICABLE)	\$ 00	\$
D. FEE FOR FILING THIS ANNUAL TAX REPORT	\$ 10.00	\$ 10.00
E. PREVIOUS CREDIT OR BALANCE	\$ 00	\$
F. PREPAID QUARTERLY PAYMENTS	\$ 00	\$
G. 1996 QUARTERLY PAYMENTS (FOR EACH QTR)	\$ 00	\$
H. TOTAL PAYMENT DUE	\$130,010.00	\$ 130,010.00

FEDERAL PAYMENTS MADE AFTER 10/20/64

7. APPOINTED DATE OF NEXT ANNUAL MEETING OF STOCKHOLDERS IS ALSO DIRECTORS (MM/DD/YYYY)

04-18-85

0. DIRECTORS	NAME	SIMULTANEOUSLY	DATE TERM EXPIRES
	E. Charles Ames	717 N. Harwood St., Dallas, Texas 75201	
	L. David Barnes	" " " "	
	W.H. Bricker	" " " "	
	Philip E. Coldwell	" " " "	

OFFICERS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
PRESIDENT	J.L. Jackson	717 N. Harwood St., Dallas, Texas 75201	
VICE-PRESIDENT	Charles E. Stewart	" " " "	
SECRETARY	Timothy J. Fretthold	" " " "	
TREASURER	Donald C. Meike	" " " "	
OTHER OFFICERS	C.J. Wydra - Asst. Controller	" " " "	

ORIGINAL SIGNATURE (OFFICER, DIRECTOR OR INCORPORATOR)

**Assistant Controller**  
**TITLE**

DATE \_\_\_\_\_

DOC. # 20-05/86/10/01 - 14,009

DUE ON OR BEFORE MARCH 1, 1965

ORIGINAL - RETURN THE FORM



Delaware Franchise Tax  
P. O. BOX 7247-0113  
PHILA. PA. 19170-0113

# 1985 ANNUAL FRANCHISE TAX REPORT

STATE OF DELAWARE  
MICHAEL N. CASTLE, GOVERNOR

(302) 736-4225

ORIGINAL - RETURN THIS FORM  
COMPLETE BOTH SIDES

**FILED**  
\$50.00 Penalty if not received  
by March 1, 1986  
2-28 11/26/85

1. CORPORATION: 2013246 DIAMOND SHAMROCK CORPORATION

2. AGENT: 9000019 THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1209 ORANGE STREET  
WILMINGTON DE 19801

3. CORPORATION DATA:

TYPE: GENERAL

DATE OF INCORPORATION: 07/19/1985

DATE OF RENEWAL:

FEDERAL EMPLOYER ID NUMBER:

Non-Responsive

DATE OF REVOCATION:

4. NATURE OF BUSINESS: Integrated Oil & Gas Company

5. PRINCIPAL PLACE OF BUSINESS OUTSIDE OF DELAWARE: 717 N. Harwood Street, Dallas, Texas 75201

6. ASSETS FOR REGULATED INVESTMENT CORPS: JANUARY 1ST:

DECEMBER 31ST:

7. ANY PERIODS NOT ENGAGED IN BUSINESS ACTIVITY DURING CALENDAR YEAR: FROM:

TO:

MM DD YY

MM DD YY

8. AUTHORIZED STOCK:

A. BEGIN PERIOD	B. END PERIOD	C. DESIGNATION OR STOCK CLASS	D. NUMBER OF SHARES	E. PAR VALUE PER SHARE	F. NUMBER OF SHARES ISSUED	G. TOTAL GROSS ASSETS	H. ASSET DATE
07/19/85		COMMON	300,000,000	\$ 1.0000			MM / DD / YY
		PREFERRED	100,000,000	\$ 1.0000			

9. FRANCHISE TAX AND FEES:

STATE'S CALCULATION

CORPORATION'S CALCULATION

A. FRANCHISE TAX DUE	B. PENALTY OF \$50.00 (IF APPLICABLE)	C. INTEREST OF 12-MONTH ON TAX & PENALTY (IF APPLICABLE)	D. FEE FOR FILING THIS ANNUAL TAX REPORT	E. PREVIOUS CREDIT OR BALANCE	F. PREPAID QUARTERLY PAYMENTS	G. 9000 QUARTERLY INTEREST/CHECK CHG	H. TOTAL PAYMENT DUE
\$ 130,000.00	\$ .00	\$ .00	\$ 10.00	\$ .00	\$ 65,000.00	\$ .00	\$ 65,010.00

DEDUCT PAYMENTS MADE AFTER 11/26/85

577

DO NOT DETACH: WHEN MAILING FOLD ON THIS LINE

REPEAT FROM 6, 7 AND 8 ABOVE.

1. CORPORATION: 2013246 DIAMOND SHAMROCK CORPORATION

6. ASSETS FOR REGULATED INVESTMENT CORPS: JANUARY 1ST:

DECEMBER 31ST:

7. ANY PERIODS NOT ENGAGED IN BUSINESS ACTIVITY DURING CALENDAR YEAR: FROM:

TO:

MM DD YY

MM DD YY

8. AUTHORIZED STOCK:

A. BEGIN PERIOD	B. END PERIOD	C. DESIGNATION OR STOCK CLASS	D. NUMBER OF SHARES	E. PAR VALUE PER SHARE	F. NUMBER OF SHARES ISSUED	G. TOTAL GROSS ASSETS	H. ASSET DATE
07/19/85		COMMON	300,000,000	\$ 1.0000			MM / DD / YY
		PREFERRED	100,000,000	\$ 1.0000			

577

PLEASE WRITE AMOUNT ENCLOSED

\$ 32,510.00

Non-Responsive



10. APPOINTED DATE OF NEXT ANNUAL MEETING OF STOCKHOLDERS TO ELECT DIRECTORS: 3/17/86

11. DIRECTORS	NAME	STREET/CITY/STATE/ZIP	Date Term Expires
	B. C. Ames	717 N. Harwood Street, Dallas, Texas 75201	
	J. D. Barnes	"	"
	W. H. Bricker	"	"
	W. L. Lyons Brown, Jr.	"	"
	P. E. Coldwell	"	"
	G. Edwards	"	"
	R. A. Hay	"	"
	A. C. Holmes	"	"
	J. L. Jackson	"	"
	J. T. Kimbell	"	"
	W. Macgregor	"	"
	R. W. Manderbach	"	"
	W. T. York	"	"

12. OFFICERS	NAME	STREET/CITY/STATE/ZIP	Date Term Expires
PRESIDENT	J. L. Jackson	717 N. Harwood Street, Dallas, Texas 75201	
VICE-PRESIDENT	R. M. Arntson	"	"
SECRETARY	T. J. Fretthold	"	"
TREASURER	D. C. Mielke	"	"
OTHER OFFICERS	C. J. Hydra - Assistant Controller	"	"

13. ORIGINAL SIGNATURE (OFFICER, DIRECTOR OR INCORPORATOR) *C. J. Hydra* C. J. Hydra, Assistant Controller

TITLE

DATE

## STATE OF DELAWARE

OFFICE USE ONLY

DELAWARE FRANCHISE TAX  
P. O. BOX 7247-0113  
PHILA. PA. 19170-0113

MICHAEL N. CASTLE, Governor  
MICHAEL HARKINS, Secretary of State  
Phone (302) 736-4225

AGENT

8000010  
THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1209 ORANGE STREET  
WILMINGTON DE 19801



FILED

412770 FEB 27 87

*Michael Harkins*  
\$50.00 PENALTY  
if not received by  
DUE DATE

MARCH 1, 1987

SEQUENCE NO.

## 1986 ANNUAL FRANCHISE TAX REPORT

000842

1. FILE NUMBER <b>2013246</b>		CORPORATION NAME <b>DIAMOND SHAMROCK CORPORATION</b>		PRINTED <b>2/15/87</b>	
2. INCORPORATION DATE <b>07/19/1983</b>		3. REVOCATION DATE		FEDERAL EMPLOYER ID. NO.	
4. NATURE OF BUSINESS <b>integrated oil and gas company</b>		5. GENERAL PLACE OF BUSINESS OUTSIDE OF DELAWARE <b>717 N. Harwood Street, Dallas, TX 75201</b>			
6. ASSETS FOR REGULATED INVESTMENT CORPS JAN 1st DEC 31st		7. ANY PERIODS NOT REPORTED IN BUSINESS ACTIVITY DURING CALENDAR YEAR		DATE FROM DATE TO	
8. AUTHORIZED STOCK A. BEGIN DATE <b>07/19/83</b> B. ENDING DATE		C. DESIGNATION OR STOCK CLASS <b>COMMON</b> <b>PREFERRED</b>		D. NO. OF SHARES <b>300,000,000</b> <b>100,000,000</b>	
		E. PAR VALUE, SHARE <b>\$1.0000</b> <b>\$1.0000</b>		F. NO. SHARES ISSUED	
				G. TOTAL GROSS ASSETS <b>\$</b>	
				H. ASSET DATE	
9. A. FRANCHISE TAX <b>\$120,000.00</b>		B. \$500 PENALTY (IF APPLICABLE)		C. 1% GOV'TLY INTEREST (IN TAX & PENALTY (IF APPLICABLE)) <b>\$ 00</b>	
				D. ANNUAL FILING FEE <b>10.00</b> <b>10.00</b>	
				E. PREY CREDIT BALANCE <b>\$ 00</b>	
				F. PREPAID QUARTERLY PAYMENTS <b>\$85,000.00</b> <b>97,500.00</b>	
STATE CALCULATIONS ARE SHOWN IN THE SHADED AREAS. YOUR CORPORATION MAY USE THE UNSHADED AREAS FOR THEIR OWN CALCULATIONS. DEDUCT PAYMENTS MADE AFTER THIS DATE.				G. QUARTERLY INTEREST CHECK CHG. <b>\$ 00</b>	
				H. TOTAL PAYMENT DUE <b>\$32,500.00</b>	

PLEASE REPEAT INFO  
FROM 6, 7, & 8 ABOVE

MAKE CHECK PAYABLE TO: SECRETARY OF STATE—DELAWARE

DO NOT DETACH  
FOLD ON THIS LINE

8000010  
THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1209 ORANGE STREET  
WILMINGTON DE 19801

1986 ANNUAL  
FRANCHISE TAX REPORT

FEDERAL DATE

SEQUENCE NO.

000842

AMOUNT ENCLOSED

32,500

00

1. FILE NUMBER <b>2013246</b>		CORPORATION NAME <b>DIAMOND SHAMROCK CORPORATION</b>		SEQUENCE NO. <b>000842</b>	
2. INCORPORATION DATE <b>07/19/83</b>		3. REVOCATION DATE		FEDERAL EMPLOYER ID. NO.	
4. NATURE OF BUSINESS		5. GENERAL PLACE OF BUSINESS OUTSIDE OF DELAWARE			
6. ASSETS FOR REGULATED INVESTMENT CORPS JAN 1st DEC 31st		7. ANY PERIODS NOT REPORTED IN BUSINESS ACTIVITY DURING CALENDAR YEAR		DATE FROM DATE TO	
8. AUTHORIZED STOCK A. BEGIN DATE <b>07/19/83</b> B. ENDING DATE		C. DESIGNATION OR STOCK CLASS <b>COMMON</b> <b>PREFERRED</b>		D. NO. OF SHARES <b>300,000,000</b> <b>100,000,000</b>	
		E. PAR VALUE, SHARE <b>\$1.0000</b> <b>\$1.0000</b>		F. NO. SHARES ISSUED	
				G. TOTAL GROSS ASSETS <b>\$</b>	
				H. ASSET DATE	

Non-Responsive

10. APPOINTED DATE OF NEXT ANNUAL MEETING OF STOCKHOLDERS TO ELECT DIRECTORS (MM/DD/YY): 04/16 / 87

11. DIRECTORS	NAME	STREET/CITY/STATE/ZIP	Date Term Expires
	B. Charles Ames	717 N. Harwood Street, Dallas, TX 75201	indefinite
	J. David Barnes	" "	"
	Charles L. Blackburn	" "	"
	W. H. Bricker	" "	"
	Philip E. Coldwell	" "	"
	Gene Edwards	" "	"
	Raymond A. Ray	" "	"
	Roger R. Hemminghaus	" "	"
	Allen C. Holmes	" "	"
	John T. Kimbell	" "	"
	Wallace Macgregor	" "	"
	Richard W. Manderbach	" "	"
	W. Thomas York	" "	"

12. OFFICERS	NAME	STREET/CITY/STATE/ZIP	Date Term Expires
<del>PRESIDENT</del> CEO	William H. Bricker	717 N. Harwood Street, Dallas, TX 75201	indefinite
VICE-PRESIDENT	Richard M. Ahlstrom	" "	"
SECRETARY	Timothy J. Fretthold	" "	"
TREASURER	Donald C. Mielke	" "	"
OTHER OFFICERS	Asst. Secretary, David Beene	" "	"

13. ORIGINAL SIGNATURE (OFFICER, DIRECTOR OR INCORPORATOR)	<i>David Beene</i>	Asst. Secretary	2/20/87
		TITLE	DATE

DELAWARE FRANCHISE TAX  
P. O. BOX 7247-0113  
PHILA, PA. 19170-0113

## STATE OF DELAWARE

STATE USE ONLY

**FILED**

MICHAEL N. CASTLE, Governor  
MICHAEL HARKINS, Secretary of State  
Phone (302) 738-4225

114051 MR-1 88  
**SECRETARY OF STATE**

1. AGENT

**\$50.00 PENALTY**  
If not received by:

DATE DUE  
**MARCH 1, 1988**

0000010

THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1209 ORANGE STREET  
WILMINGTON

DE 19801

**1987 ANNUAL FRANCHISE TAX REPORT**

SEQ. NO. 001491

2. FILE NUMBER  
**2013246**

CORPORATION NAME

**MAXUS ENERGY CORPORATION**

PRINTED

12/30/87

3. INCORPORATION DATE  
07/19/1983

RENEWAL DATE

REVOCATION DATE

**Non-Responsive**

GENERAL

(TYPE)

4. NATURE OF BUSINESS

5. PRINCIPAL PLACE OF BUSINESS OUTSIDE OF DELAWARE

primarily to engage in oil & gas exploration 717 N. Harwood St, Dallas, TX 75201

6. ASSETS FOR REGULATED INVESTMENT CORP.

JAN. 181

DEC. 31st

8. AUTHORIZED STOCK

A. BEGINNING DATE

B. ENDING DATE

C. DESIGNATION

OR STOCK CLASS

COMMON

D. NO. OF SHARES

300,000,000

100,000,000

E. PAR VALUE/SHARE

\$1.0000

\$1.0000

F. NO. SHARES

ISSUED

DATE FROM

DATE TO

ANY PERIODS NOT

ENGAGED IN BUSINESS

ACTIVITY DURING

CALENDAR YEAR

G. TOTAL GROSS

ASSETS\*\*

H. ASSET DATE

9. A. FRANCHISE TAX

\$ 130,000.00

B. \$50.00 PENALTY

(IF APPLICABLE)

\$

C. 1% MONTHLY INTEREST ON

TAX &amp; PENALTY (IF APPLICABLE)

\$

.00

D. ANNUAL FILING FEE

\$

10.00

E. PREV. CREDIT OR BALANCE

DUE

\$

.00

F. PREPAID QUARTERLY

PAYMENTS

\$

97,500.00

97,500.00

STATE CALCULATIONS ARE SHOWN IN THE SHADED AREAS.

YOUR CORPORATION MAY USE THE UNSHADED AREAS FOR THEIR OWN CALCULATIONS.

\*DEDUCT PAYMENTS MADE AFTER THIS DATE.

G. QUARTERLY INTEREST/CHECK CHG.

H. TOTAL PAYMENT DUE

\$ .00

\$32,510.00

32,509.80

YOUR REPORT WILL NOT BE CONSIDERED FILED UNLESS THE ENTIRE REPORT IS RETURNED

0000010

THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1209 ORANGE STREET  
WILMINGTON DE 19801

**1987 ANNUAL FRANCHISE TAX REPORT**

MAKE CHECK PAYABLE TO:  
DELAWARE SECRETARY OF STATE

CHECK NO.

AMOUNT ENCLOSED

32,509.80

SEQUENCE NO.

2. FILE NUMBER

**2013246**

CORPORATION NAME

**MAXUS ENERGY CORPORATION**

001491

**10. REVISION OF ASSESSMENT (FOR THOSE CORPORATIONS FILING AFTER MARCH 1, 1988)**

Corporation is petitioning the Secretary of State for a revision of franchise tax assessed for not filing an accurate and/or timely annual franchise tax report. (For non stock corporations; corporation is petitioning the removal of the \$50.00 late filing penalty.)

Reason for Petition

11. \*NOTICE -- If total gross assets reported have dropped 15% from previous year assets, please submit a complete copy of U.S. FORM 1120.

**Non-Responsive**

12. APPOINTED DATE OF NEXT ANNUAL MEETING OF STOCKHOLDERS TO ELECT DIRECTORS (MM/DD/YY): 04/26/88

13. DIRECTORS	NAME	STREET/CITY/STATE/ZIP	Date Term Expires
	J. David Barnes	717 N. Harwood St, 31 <sup>st</sup> fl, Dallas, TX 75201	1990
	Charles L. Blackburn	717 N. Harwood St, 31 <sup>st</sup> fl, Dallas, TX 75201	1990
	Bruce B. Dice	717 N. Harwood St, 31 <sup>st</sup> fl, Dallas, TX 75201	1989
	Philip E. Coldwell	717 N. Harwood St, 31 <sup>st</sup> fl, Dallas, TX 75201	1990
	Gene Edwards	717 N. Harwood St, 31 <sup>st</sup> fl, Dallas, TX 75201	1988
	Raymond A. Hay	717 N. Harwood St, 31 <sup>st</sup> fl, Dallas, TX 75201	1989
	Allen C. Holmes	717 N. Harwood St, 31 <sup>st</sup> fl, Dallas, TX 75201	1989
	G.L. Jackson	717 N. Harwood St, 31 <sup>st</sup> fl, Dallas, TX 75201	1988
	John T. Kimbell	717 N. Harwood St, 31 <sup>st</sup> fl, Dallas, TX 75201	1988
	Wallace Macgregor	717 N. Harwood St, 31 <sup>st</sup> fl, Dallas, TX 75201	1989
	Richard W. Manderbach	717 N. Harwood St, 31 <sup>st</sup> fl, Dallas, TX 75201	1989
	W. Thomas York	717 N. Harwood St, 31 <sup>st</sup> fl, Dallas, TX 75201	1990

14. OFFICERS	NAME	STREET/CITY/STATE/ZIP	Date Term Expires
Chm. CEO PRESIDENT	C.L. Blackburn	717 N. Harwood St, Dallas, TX 75201	
VICE-PRESIDENT	M. Middlebrook	717 N. Harwood St, Dallas, TX 75201	
SECRETARY	N.R. Green	717 N. Harwood St, Dallas, TX 75201	
VP TREASURER	Glen R. Brown	717 N. Harwood St, Dallas, TX 75201	
OTHER OFFICERS			

15. ORIGINAL SIGNATURE (OFFICER, DIRECTOR OR INCORPORATOR) N. Robin Green Secretary 2/15/88  
DATE

ORIGINAL - RETURN ENTIRE COPY - DO NOT DETACH STUB

## 1988 ANNUAL FRANCHISE TAX REPORT

STATE USE ONLY

MICHAEL N. CASTLE, Governor  
MICHAEL HARKINS, Secretary of State  
Phone (302) 736-4225

STATE OF DELAWARE



219625 MAR -1 89

\$50.00 PENALTY

If not received  
on or before:

MARCH 1, 1989

DELAWARE FRANCHISE TAX  
P. O. BOX 7247-0113  
PHILA, PA. 19170-0113  
1. AGENT

8000010

THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1208 ORANGE STREET  
WILMINGTON

DE 19801

2. FILE NUMBER

CORPORATION NAME

2013246

MAXUS ENERGY CORPORATION

SEQ. NO.

001798

3. INCORPORATION DATE

RENEWAL DATE

REVOCATION DATE

Non-Responsive

TYPE

07/18/1983

4. NATURE OF BUSINESS

employment production

5. PRINCIPAL PLACE OF BUSINESS, OUTSIDE OF DELAWARE

717 N. HAYWOOD ST., DALLAS, TX 75201

6. PERIODS NOT  
ENGAGED IN  
BUSINESS  
DURING 1988

DATE FROM

DATE TO

7. AUTHORIZED STOCK

A. BEGIN DATE

07/18/83

B. ENDING DATE

C. DESIGNATION  
OR STOCK CLASSCOMMON  
PREFERRED

D. NO. OF SHARES

300,000,000  
100,000,000

E. PAR VALUE SHARE

1.0000  
1.0000F. NO. SHARES  
ISSUEDG. TOTAL GROSS  
ASSETS

H. ASSET DATE

8. A. FRANCHISE TAX

130,000.00

B. \$50.00 PENALTY  
(IF APPLICABLE)C. 1% MONTHLY INTEREST ON  
TAX & PENALTY (IF APPLICABLE)

.00

D. ANNUAL FILING FEE

10.00  
10.00E. PREV. CREDIT OR BALANCE  
DUE

.00

F. PREPAID QUARTERLY  
PAYMENTS

87,500.00

9. ASSETS FOR REGULATED INVESTMENT CORPS

Jan. 1st

Dec. 31st

PRINTED

12/14/88

G. QUARTERLY INTEREST/CHECK CHG

.00

TOTAL PAYMENT DUE

32,510.00

11. DIRECTORS

NAME

STREET CITY/STATE/ZIP

DATE TERM EXPIRES

See Schedule Attached

12. OFFICERS

NAME

STREET CITY/STATE/ZIP

DATE TERM EXPIRES

PRESIDENT C. C. Blackburn

717 N. HAYWOOD ST., DALLAS, TX 75201

Indefinite

VICE PRESIDENT D. C. Murrell

TREASURER N. E. Green

ATTORNEY G. E. Brown

INTERPRETER C. C. Beene

13. REVISION OF ASSESSMENT: Corporation requests a revision for not filing an adequate and/or timely Franchise Tax Report. (For nonstock corporation; requests removal of the \$50.00 late penalty).

Reason:

14. ORIGINAL SIGNATURE OF OFFICER, DIRECTOR OR INCORPORATOR

TITLE

DATE

X C. C. Beene

Asst. Secretary

2/13/89

DO NOT DETACH YOUR REPORT WILL NOT BE CONSIDERED FILED UNLESS THE ENTIRE REPORT IS RETURNED

DO NOT DETACH

STUB FOR BANK USE ONLY

1988 ANNUAL FRANCHISE TAX REPORT

8000010  
THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1208 ORANGE STREET  
WILMINGTON DE 19801

FILE NUMBER

CORPORATION NAME

2013246

MAXUS ENERGY CORPORATION

SEQUENCE NO.

001798

STATE CALCULATIONS ARE SHOWN IN ITEM 8 IN THE SHADED AREAS ABOVE.

MAKE CHECK PAYABLE TO  
DELAWARE SECRETARY OF ST.

CHECK NO.

AMOUNT ENC.

176407

32,511

Non-Responsive

FILE: 88DEFNRCH

MAXUS ENERGY CORPORATION

ATTACHMENT TO 1988 DELAWARE FRANCHISE TAX REPORT

LIST OF DIRECTORS

NAME	ADDRESS	DATE TERM EXPIRES
J. David Barnes	717 N. Herwood St., Dallas, TX 75201	1990
D. L. Black	717 N. Herwood St., Dallas, TX 75201	1991
Charles L. Blackburn	717 N. Herwood St., Dallas, TX 75201	1990
B. Clark Burchfiel	717 N. Herwood St., Dallas, TX 75201	1992
Bruce B. Dice	717 N. Herwood St., Dallas, TX 75201	1992
Phillip H. Coldwell	717 N. Herwood St., Dallas, TX 75201	1990
Gene Edwards	717 N. Herwood St., Dallas, TX 75201	1991
Raymond A. Hay	717 N. Herwood St., Dallas, TX 75201	1992
Allen C. Holmes	717 N. Herwood St., Dallas, TX 75201	1992
C. L. Jackson	717 N. Herwood St., Dallas, TX 75201	1991
John T. Kimbell	717 N. Herwood St., Dallas, TX 75201	1991
Richard W. Menderbach	717 N. Herwood St., Dallas, TX 75201	1989
W. Thomas York	717 N. Herwood St., Dallas, TX 75201	1990

## 1989 ANNUAL FRANCHISE TAX REPORT

STATE USE ONLY

MICHAEL N. CASTLE, Governor  
MICHAEL HARKINS, Secretary of State  
Phone (302) 736-4225

## STATE OF DELAWARE

FILED

MAR 1 1990



DELAWARE FRANCHISE TAX  
P. O. BOX 7247-0113  
PHILA, PA. 19170-0113

## 1. AGENT

9000010

THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1200 ORANGE STREET  
WILMINGTON DE 19801

\$50.00 PENALTY

If not received  
on or before:

MARCH 1, 1990

## 2. FILE NUMBER

2013246

## CORPORATION NAME

MAXUS ENERGY CORPORATION

SBO

001928

## 3. INCORPORATION DATE

07/19/1983

## RENEWAL DATE

## REVOCATION DATE

## FEDERAL EMPLOYER ID NO.

## TYPE

Non-Responsive

GENERAL

## 4. NATURE OF BUSINESS

oil & gas  
exploration

## 5. PRINCIPAL PLACE OF BUSINESS OUTSIDE OF DELAWARE

111 W. Main Street, Dallas, TX 75201

6. PERIODS NOT  
ENGAGED IN  
BUSINESS  
DURING 1989

## DATE FROM

## DATE TO

89

89

## 7. AUTHORIZED STOCK

A. BEGIN DATE

07/19/83

## B. ENDING DATE

C. DESIGNATION  
OR STOCK CLASS

COMMON

PREFERRED

## D. NO. OF SHARES

300,000,000

100,000,000

## E. PAR VALUE/SHARE

1.0000

1.0000

F. NO. SHARES  
ISSUED

90,678,530

4,334,853

G. TOTAL GROSS  
ASSETS

## H. ASSET DATE

## 8. A. FRANCHISE TAX

\$ 130,000.00

B. \$50.00 PENALTY  
(IF APPLICABLE)

\$

C. 1% MONTHLY INTEREST ON  
TAX & PENALTY (IF APPLICABLE)

\$ .00

## D. ANNUAL FILING FEE

\$ 10.00

10.00

E. PREV. CREDIT OR BALANCE  
DUE

\$ .00

\$

F. PREPAID QUARTERLY  
PAYMENTS

\$ 65,010.00

97,500.00

## 9. ASSETS FOR REGULATED INVESTMENT CORPS

Jan. 1st

Dec. 31st

DEDUCT PAYMENTS  
MADE AFTER

11/23/89

## G. QUARTERLY INTEREST/CHECK CHG.

\$ .00

\$

## TOTAL PAYMENT DUE

\$ 65,010.00

32,510.00

## 10. APPOINTED DATE OF NEXT ANNUAL MEETING OF STOCKHOLDERS TO ELECT DIRECTORS

4/21/90

## 11. DIRECTOR'S

## NAME

## STREET/CITY/STATE/ZIP

## DATE TERM EXPIRES

See Schedule Attached

## 12. OFFICERS

## NAME

## STREET/CITY/STATE/ZIP

## DATE TERM EXPIRES

PRESIDENT Charles L. Blackburn 717 E. East Street, Dallas, TX 75201 indefinite  
VICE-PRESIDENT Steven G. Crowell " " "  
SECRETARY David A. Wadsworth " " "  
TREASURER Donald C. Mielke " " "  
OTHER OFFICERS C.O. Beene " " "

## 13. PETITION FOR REVISION OF ASSESSMENT: State reason corporation requests a revision for not filing an adequate and/or timely Franchise Tax Report. (For nonstock corporation; requests removal of the \$50.00 late penalty.)

Reason:

## 14. ORIGINAL SIGNATURE (OFFICER, DIRECTOR OR INCORPORATOR)

## TITLE

## DATE

X: David Beene Asst. Secretary 2/26/90

DO NOT DETACH

YOUR REPORT WILL NOT BE CONSIDERED FILED UNLESS THE ENTIRE REPORT IS RETURNED

DO NOT DETACH

STUB FOR BANK USE ONLY

1989 ANNUAL FRANCHISE TAX REPORT

9000010

THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1200 ORANGE STREET  
WILMINGTON DE 19801

## FILE NUMBER

2013246

## CORPORATION NAME

MAXUS ENERGY CORPORATION

## SEQUENCE NO.

001928

NOTICE: ELECTRONIC PAYMENTS ARE NOW AVAILABLE TO QUARTERLY FRANCHISE TAX PAYERS.

SEE INSTRUCTIONS ENCLOSED.

CHECK IF PAID ELECTRONICALLY. THIS DOES NOT PRECLUDE NECESSITY FOR FILING REPORT BY 3/1/90.

MAKE CHECK PAYABLE TO:

DELAWARE SECRETARY OF STATE

## CHECK NO.

232040

## AMOUNT ENCLOSED

32,510.00

Non-Responsive



FILED

MAXUS ENERGY CORPORATION

ATTACHMENT TO 1989 DELAWARE FRANCHISE TAX REPORT

MAR 1 1990

LIST OF DIRECTORS

  
SECRETARY OF STATE  
DATE TERM  
EXPIRES

NAME	ADDRESS	DATE TERM EXPIRES
J. David Barnes	717 N. Harwood St., Dallas, TX 75201	1990
D. L. Black	717 N. Harwood St., Dallas, TX 75201	1991
Charles L. Blackburn	717 N. Harwood St., Dallas, TX 75201	1990
B. Clark Burchfiel	717 N. Harwood St., Dallas, TX 75201	1992
Philip E. Coldwell	717 N. Harwood St., Dallas, TX 75201	1990
Bruce B. Dice	717 N. Harwood St., Dallas, TX 75201	1992
Raymond A. Hay	717 N. Harwood St., Dallas, TX 75201	1992
Allen C. Holmes	717 N. Harwood St., Dallas, TX 75201	1992
G. L. Jackson	717 N. Harwood St., Dallas, TX 75201	1991
John T. Kimbell	717 N. Harwood St., Dallas, TX 75201	1991
Richard W. Murphy	717 N. Harwood St., Dallas, TX 75201	1991
W. Thomas York	717 N. Harwood St., Dallas, TX 75201	1990

# STATE OF DELAWARE 1992 ANNUAL FRANCHISE TAX REPORT

DO NOT ALTER FILE NUMBER

FILE NUMBER 2013248		CORPORATION NAME MAXUS ENERGY CORPORATION				Non-Responsive	
PHONE NUMBER 214-753-2919		INCORPORATION DATE JULY 19, 1983		RENEWAL / REVOCATION DATE		DATE OF INACTIVITY: FROM / / TO / /	
AUTHORIZED STOCK BEGIN DATE 07/19/83		DESIGNATION OR STOCK CLASS COMMON PREFERRED		NO. OF SHARES 300,000,000 100,000,000		PAR VALUE / SHARE 1.000000 1.000000	
ENDING DATE				NO. SHARES ISSUED		TOTAL GROSS ASSETS	
						ASSET DATE	
						ASSETS FOR REGULATED INVESTMENT CORPS Jan. 1st Dec. 31st	
FRANCHISE TAX \$ 150,000.00		\$50.00 PENALTY \$ .00		1.5% MONTHLY INTEREST \$ .00		QUARTERLY INTEREST \$ .00	
				ANN. FILING FEE \$ 20.00		PREV CREDIT OR BALANCE \$ .00	
						PREPAID QRTY. PAYMENTS \$ 120,000.00	
						AMOUNT DUE \$ 30,020.00	

REGISTERED AGENT 9000010  
THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1209 ORANGE STREET  
WILMINGTON, DE 19801

MAKE CHECK PAYABLE TO:  
DELAWARE SECRETARY OF STATE

CHECK NO. 377416	AMOUNT ENCLOSED \$30,020
---------------------	-----------------------------

\$50.00 PENALTY if not Received on or before  
March 1, 1993

Non-Responsive

NATURE OF BUSINESS Oil & Gas Exploration & Production	PRINCIPAL PLACE OF BUSINESS OUTSIDE OF DELAWARE 717 N. Harwood St., Dallas, TX 75201
APPOINTED DATE OF NEXT ANNUAL MEETING OF STOCKHOLDERS TO ELECT DIRECTORS (MM/DD/YY) 4/27/93	

# Non-Responsive

DIRECTORS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
1.	David Barnes	717 N. Harwood St., Dallas, TX 75201	Indefinite
2.	Darrell H. Black	SAME	Indefinite
3.	Charles H. Blackburn	SAME	Indefinite
4.	C. Clark Burchfiel	SAME	Indefinite

OFFICERS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
1. President	Charles H. Blackburn	717 N. Harwood St., Dallas, TX 75201	Indefinite
2. Vice President	George W. Pasley	SAME	Indefinite
3. Secretary	D. A. Wadsworth	SAME	Indefinite
4. Asst. Secretary	C. D. Beene	SAME	Indefinite

ORIGINAL SIGNATURE (OFFICER, DIRECTOR OR INCORPORATOR)	TITLE	DATE
X <i>David Beene</i>	Asst. Secretary	2-22-93

108

002200

# STATE OF DELAWARE 1993 ANNUAL FRANCHISE TAX REPORT

DO NOT ALTER FILE NUMBER

FILE NUMBER <b>2013246</b>		CORPORATION NAME <b>MAXUS ENERGY CORPORATION</b>					PHONE NUMBER <b>214-953-2919</b>		
FEDERAL EMPLOYER ID NO. <b>Non-Responsive</b>		INCORPORATION DATE <b>JULY 19, 1983</b>		RENEWAL / REVOCATION DATE		DATE OF INACTIVITY:		FROM / /	TO / /
AUTHORIZED STOCK BEGIN DATE      ENDING DATE		DESIGNATION OR STOCK CLASS		NO. OF SHARES		PAR VALUE / SHARE		NO. SHARES ISSUED	
07/19/83		COMMON PREFERRED		300,000,000 100,000,000		1.000000 1.000000		TOTAL GROSS ASSETS	
								ASSET DATE	
								ASSETS FOR REGULATED INVESTMENT CORPS	
								Jan. 1st Dec. 31st	
FRANCHISE TAX		\$50.00 PENALTY		1.5% MONTHLY INTEREST		QUARTERLY INTEREST		ANN. FILING FEE	
\$ 150,000.00		\$ .00		\$ .00		\$ .00		\$ 20.00	
								PREV CREDIT OR BALANCE	
								\$ .00	
								PREPAID QRTY. PAYMENTS	
								\$ 120,000.00	
								AMOUNT DUE	
								\$ 30,020.00	

REGISTERED AGENT 3000010  
THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1209 ORANGE STREET  
WILMINGTON, DE 19801

MAKE CHECK PAYABLE TO: DELAWARE SECRETARY OF STATE	
CHECK NO.	AMOUNT ENCLOSED
	\$ 30,020.00

\$50.00 PENALTY if not Received on or before  
March 1, 1994

**Non-Responsive**

NATURE OF BUSINESS <u>Oil &amp; Gas</u> <u>Exploration &amp; Production</u>	PRINCIPAL PLACE OF BUSINESS OUTSIDE OF DELAWARE <u>717 N. Harwood St., Dallas, TX 75201</u>
SEND INVOICE AND PAYMENT ONLY - NO ATTACHMENTS - NO ADDITIONAL PAGES	

DIRECTORS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
1.	<u>David Barnes</u>	<u>717 N. Harwood St Dallas, TX 75201</u>	<u>Indefinite</u>
2.	<u>Darrell L. Black</u>	<u>SAME</u>	<u>Indefinite</u>
3.	<u>Charles h. Blackburn</u>	<u>SAME</u>	<u>Indefinite</u>
4.	<u>C. Clark Burchfiel</u>	<u>SAME</u>	<u>Indefinite</u>
5.	<u>Philip Engelhardt</u>	<u>SAME</u>	<u>Indefinite</u>
6.	<u>Eric S. Dice</u>	<u>SAME</u>	<u>Indefinite</u>

OFFICERS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
1. President	<u>Charles h. Blackburn</u>	<u>717 N. Harwood St Dallas, TX 75201</u>	<u>Indefinite</u>
2. Asst. Sec.	<u>C. David Beene</u>	<u>SAME</u>	<u>Indefinite</u>

ORIGINAL SIGNATURE (OFFICER, DIRECTOR OR INCORPORATOR)	TITLE	DATE
X <u>David Beene</u>	<u>Asst. Sec.</u>	<u>2/14/94</u>

hjc

# STATE OF DELAWARE 1994 ANNUAL FRANCHISE TAX REPORT

DO NOT ALTER FILE NUMBER

FILE NUMBER <b>2013246</b>		CORPORATION NAME <b>MAXUS ENERGY CORPORATION</b>				PHONE NUMBER <b>214-953-2012</b>	
FEDERAL EMPLOYER ID NO. <b>Non-Responsive</b>		INCORPORATION DATE <b>JULY 19, 1983</b>		RENEWAL / REVOCATION DATE		DATE OF INACTIVITY: FROM / / TO / /	
AUTHORIZED STOCK BEGIN DATE      ENDING DATE <b>07/19/83</b>		DESIGNATION OR STOCK CLASS <b>COMMON PREFERRED</b>		NO. OF SHARES <b>300,000,000 100,000,000</b>		PAR VALUE / SHARE <b>1.000000 1.000000</b>	
				NO. SHARES ISSUED <b>135,632,918 9,108,056</b>		TOTAL GROSS ASSETS	
						ASSET DATE	
						ASSETS FOR REGULATED INVESTMENT CORPS Jan. 1st Dec. 31st	
FRANCHISE TAX <b>\$ 150,000.00</b>		\$50.00 PENALTY <b>\$ .00</b>		1.5% MONTHLY INTEREST <b>\$ .00</b>		QUARTERLY INTEREST <b>\$</b>	
				ANN. FILING FEE <b>\$ 20.00</b>		PREV CREDIT OR BALANCE <b>\$ 120,000.00-</b>	
						PREPAID QRTY. PAYMENTS <b>\$</b>	
						AMOUNT DUE <b>\$ 30,020.00</b>	

REGISTERED AGENT 9000010  
THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1209 ORANGE STREET  
WILMINGTON, DE 19801

MAKE CHECK PAYABLE TO:  
DELAWARE SECRETARY OF STATE

CHECK NO.	AMOUNT ENCLOSED <b>\$30,020.00</b>
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\$50.00 PENALTY if not Received on or before  
March 1, 1995. Plus 1.5% interest per month.

## Non-Responsive

NATURE OF BUSINESS <i>Oil &amp; Gas Exploration &amp; Production</i>		PRINCIPAL PLACE OF BUSINESS OUTSIDE OF DELAWARE <i>717 North Harwood Street, Dallas Texas 75201</i>	
SEND INVOICE AND PAYMENT ONLY - NO ATTACHMENTS - NO ADDITIONAL PAGES			
DIRECTORS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
1.	<i>Charles L. Blackburn</i>	<i>Same</i>	<i>Indefinite</i>
2.	<i>C. Clark Burchfiel</i>	<i>"</i>	<i>"</i>
3.	<i>Bruce B. Dice</i>	<i>"</i>	<i>"</i>
4.	<i>Michael C. Forrest</i>	<i>"</i>	<i>"</i>
5.	<i>Charles W. Hall</i>	<i>"</i>	<i>"</i>
6.	<i>Raymond A. Hay</i>	<i>"</i>	<i>"</i>

**Non-Responsive**

OFFICERS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
1. <i>President</i>	<i>Charles L. Blackburn</i>	<i>Same</i>	<i>Indefinite</i>
2. <i>Asst. Sec.</i>	<i>David D. Smith</i>	<i>"</i>	<i>"</i>
ORIGINAL SIGNATURE (OFFICER, DIRECTOR OR INCORPORATOR)		TITLE	DATE
X <i>[Signature]</i>		<i>Asst. Sec.</i>	<i>2/10/95</i>

045466

# STATE OF DELAWARE 1996 ANNUAL FRANCHISE TAX REPORT

DO NOT ALTER FILE NUMBER

FILE NUMBER 2013248		CORPORATION NAME MAXUS ENERGY CORPORATION				PHONE NUMBER 214-953-2911	
FEDERAL EMPLOYER ID NO. Non-Responsive		INCORPORATION DATE JULY 19, 1983		RENEWAL / REVOCATION DATE		DATE OF INACTIVITY: FROM / / TO / /	
AUTHORIZED STOCK BEGIN DATE      ENDING DATE		DESIGNATION OR STOCK CLASS		NO. OF SHARES		PAR VALUE / SHARE	
07/19/83      07/19/83		COMMON PREFERRED		300,000,000 100,000,000		1.000000 1.000000	
				NO. SHARES ISSUED		TOTAL GROSS ASSETS	
				147,252,689 4,125,000			
						ASSET DATE	
						ASSETS FOR REGULATED INVESTMENT CORPS	
						Jan. 1st Dec. 31st	
FRANCHISE TAX		\$50.00 PENALTY		1.5% MONTHLY INTEREST		ANNUAL FILING FEE	
\$ 150,000.00		\$ .00		\$ 900.00		\$ 20.00	
						PREVIOUS CREDIT OR BALANCE	
						\$ 120,900.00 CR	
						PREPAID QUARTERLY PAYMENTS	
						\$	
						AMOUNT DUE \$ 30,020.00	

REGISTERED AGENT 9000010  
THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1209 ORANGE STREET  
WILMINGTON, DE 19801

MAKE CHECK PAYABLE TO: DELAWARE SECRETARY OF STATE	
CHECK NO.	AMOUNT ENCLOSED
	\$ 30,020.00

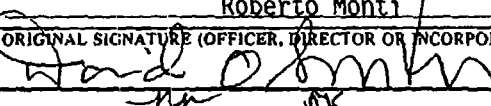
\$50.00 PENALTY if not Received on or before  
March 1, 1997. Plus 1.5% interest per month.

Non-Responsive



NATURE OF BUSINESS oil and gas exploration		PRINCIPAL PLACE OF BUSINESS OUTSIDE OF DELAWARE 717 N. Harwood Street, Dallas, TX 75201	
SEND INVOICE AND PAYMENT ONLY - NO ATTACHMENTS - NO ADDITIONAL PAGES			
OFFICERS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
1. President	Roberto Monti	717 N. Harwood Street, Dallas, TX 75201	Indefinite
2. Vice President	W. Mark Miller	717 N. Harwood Street, Dallas, TX 75201	Indefinite

FOR BANK USE ONLY

DIRECTORS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
1.	Charles L. Blackburn	717 N. Harwood St., Dallas, TX 75201	Indefinite
2.	Cedric Bridger	717 N. Harwood St., Dallas, TX 75201	Indefinite
3.	George L. Jackson	717 N. Harwood St., Dallas, TX 75201	Indefinite
4.	Nells Leon	717 N. Harwood St., Dallas, TX 75201	Indefinite
5.	J. R. Lesch	717 N. Harwood St., Dallas, TX 75201	Indefinite
6.	Roberto Monti	717 N. Harwood St., Dallas, TX 75201	Indefinite
ORIGINAL SIGNATURE (OFFICER, DIRECTOR OR INCORPORATOR)		TITLE	DATE
X 		Assistant Secretary	2/21/97

044861  
SECRET

STATE OF DELAWARE  
1997 ANNUAL FRANCHISE TAX REPORT

DO NOT ALTER FILE NUMBER

FILE NUMBER 2013246		CORPORATION NAME MAXUS ENERGY CORPORATION				PHONE NUMBER 214-953-2012											
FEDERAL EMPLOYER ID NO. Non-Responsive		INCORPORATION DATE JULY 19, 1983		RENEWAL/REVOCATION DATE		DATE OF INACTIVITY FROM / / TO / /											
AUTHORIZED STOCK BEGIN DATE 07-19-83		ENDING DATE		DESIGNATION OR STOCK CLASS COMMON PREFERRED		NO. OF SHARES 300,000,000 100,000,000		PAR VALUE/SHARE 1.000000 1.000000		NO. SHARES ISSUED 147,246,135 3,500,000		TOTAL GROSS ASSETS		ASSET DATE		ASSETS FOR REGULATED INVESTMENT CORPS JAN. 1st DEC. 31st	
FRANCHISE TAX \$ 150,000.00		\$50.00 PENALTY \$ .00		1.5% MONTHLY INTEREST \$ .00		ANN. FILING FEE \$ 20.00		PREV CREDIT OR BALANCE \$ 120,000.00 CR		PREPAID QTY. PAYMENT		AMOUNT DUE \$ 30,020.00					

REGISTERED AGENT 9000010  
THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1209 ORANGE STREET  
WILMINGTON, DE 19801

MAKE CHECK PAYABLE TO:  
DELAWARE SECRETARY OF STATE

CHECK NO.	AMOUNT ENCLOSED \$ 30,020.00
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\$50.00 PENALTY if not Received on or before  
MAR 1, 1998 Plus 1.5% interest per month.

Non-Responsive

NATURE OF BUSINESS OIL & GAS EXPLORATION & PRODUCTION		PRINCIPAL PLACE OF BUSINESS OUTSIDE OF DELAWARE 717 N. HARWOOD ST., DALLAS, TX 75201	
SEND INVOICE AND PAYMENT ONLY - NO ATTACHMENTS - NO ADDITIONAL PAGES			
OFFICERS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
1. PRESIDENT	MARIO B. ROSSO	717 N. HARWOOD, DALLAS, TX 75201	INDEFINITE
2. VICE PRESIDENT	W. MARK MILLER	SAME	INDEFINITE

22-24-98 5528 (0000)

Non-Responsive

FOR BANK USE ONLY			
DIRECTORS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
1.	CEDRIC BRIDGER	717 N. HARWOOD, DALLAS, TX 75201	INDEFINITE
2.	GEORGE L. JACKSON	SAME	INDEFINITE
3.	ROBERTO MONTI	SAME	INDEFINITE
4.	MARIO B. ROSSO	SAME	INDEFINITE
5.	J.R. LESCH	SAME	INDEFINITE
6.	P. DEXTER PEACOCK	SAME	INDEFINITE
ORIGINAL SIGNATURE (OFFICER, DIRECTOR OR INCORPORATOR)		TITLE	DATE
X <i>[Signature]</i>		ASSISTANT SECRETARY	2/18/98

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# STATE OF DELAWARE 1998 ANNUAL FRANCHISE TAX REPORT

DO NOT ALTER FILE NUMBER

FILE NUMBER 2013246		CORPORATION NAME MAXUS ENERGY CORPORATION				PHONE NUMBER 214-953-2012	
FEDERAL EMPLOYER ID NO. Non-Responsive		INCORPORATION DATE JULY 19, 1983		RENEWAL/REVOCATION DATE		DATE OF INACTIVITY FROM / / TO / /	
AUTHORIZED STOCK BEGIN DATE 07-19-83		ENDING DATE		DESIGNATION OR STOCK CLASS COMMON PREFERRED		NO. OF SHARES 300,000,000 100,000,000	
PAR VALUE/SHARE 1.000000 1.000000		NO. SHARES ISSUED 247,246,135 3,500,000		TOTAL GROSS ASSETS		ASSET DATE	
ASSETS FOR REGULATED INVESTMENT CORPS JAN. 1st DEC. 31st							
FRANCHISE TAX \$ 150,000.00		\$50.00 PENALTY		1.5% MONTHLY INTEREST		ANNUAL FILING FEE \$ 20.00	
PREV CREDIT OR BALANCE \$ 120,000.00 CR		PREPAID QRTY. PAYMENTS					
AMOUNT DUE \$ 30,020.00							

REGISTERED AGENT 9000010  
THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1209 ORANGE STREET  
WILMINGTON, DE 19801

MAKE CHECK PAYABLE TO: DELAWARE SECRETARY OF STATE	
CHECK NO.	AMOUNT ENCLOSED 30,020.00


\$50.00 PENALTY if not Received on or before  
MAR 1, 1999 Plus 1.5% interest per month.

Non-Responsive

NATURE OF BUSINESS Oil & gas exploration & production		PRINCIPAL PLACE OF BUSINESS OUTSIDE OF DELAWARE 717 N. Harwood ST. Dallas, Tx 75201	
SEND INVOICE AND PAYMENT ONLY - NO ATTACHMENTS - NO ADDITIONAL PAGES			
OFFICERS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
1. Pres & CEO	Mario Rosso	717 N. Harwood, Dallas, Tx 75201	Indefinite
2. V-P	David wadsworth	Above	Indefinite

13-89-99 0012 000004

**Non-Responsive**

FOR BANK USE ONLY			
DIRECTORS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
1.	George L. Jackson	717 N. Harwood, Dallas, Tx 75201	Indefinite
2.	James R. Leach	Same	Same
3.	Roberto Monti		
4.	P. Dexter Peacock		
5.	Mario Rosso		
6.	R.A. Walker		
ORIGINAL SIGNATURE (OFFICER, DIRECTOR OR INCORPORATOR)		TITLE	DATE
 DUB PRO		Assistant Secretary	2/19/99

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# STATE OF DELAWARE 1999 ANNUAL FRANCHISE TAX REPORT

DO NOT ALTER FILE NUMBER

FILE NUMBER <b>2013246</b>		CORPORATION NAME <b>MAXUS ENERGY CORPORATION</b>				PHONE NUMBER <b>281-681-7200</b> <del>214-922-2012</del>	
FEDERAL EMPLOYER ID NO. <b>Non-Responsive</b>		INCORPORATION DATE <b>JULY 19, 1983</b>		RENEWAL/REVOCATION DATE		DATE OF INACTIVITY FROM / / TO / /	
AUTHORIZED STOCK BEGIN DATE <b>07-19-83</b>		ENDING DATE		DESIGNATION OR STOCK CLASS <b>COMMON</b> <b>PREFERRED</b>		NO. OF SHARES <b>300,000,000</b> <b>100,000,000</b>	
PAR VALUE/SHARE <b>1.000000</b> <b>1.000000</b>		NO. SHARES ISSUED <b>147,246,135</b> <b>-02</b>		TOTAL GROSS ASSETS		ASSET DATE <b>JAN 1st</b> <b>DEC. 31st</b>	
FRANCHISE TAX <b>\$ 150,000.00</b>		\$50.00 PENALTY		1.5% MONTHLY INTEREST		ANN. FILING FEE <b>\$ 20.00</b>	
PREV CREDIT OR BALANCE <b>\$ 120,000.00 CR</b>		PREPAID QRTY. PAYMENTS		AMOUNT DUE <b>\$ 30,020.00</b>			

REGISTERED AGENT 9000010  
THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1209 GRANGE STREET  
WILMINGTON, DE 19801

MAKE CHECK PAYABLE TO: DELAWARE SECRETARY OF STATE	
CHECK NO. <b>1016832</b>	AMOUNT ENCLOSED <b>30,020.00</b>

\$50.00 PENALTY if not received on or before  
MAR 1, 2000 Plus 1.5% interest per month.

Non-Responsive

JAC

SEND INVOICE AND PAYMENT ONLY - NO ATTACHMENTS - NO ADDITIONAL PAGES

NATURE OF BUSINESS <b>HOLDING COMPANY</b>		PRINCIPAL PLACE OF BUSINESS OUTSIDE OF DELAWARE <b>1330 LAKE ROBBINS DR. #300, THE WOODLANDS, TX 77380</b>			
DIRECTORS	NAME	STREET/CITY/STATE/ZIP			DATE TERM EXPIRES
1.	<b>JAMES B. LESCH</b>	<b>1330 LAKE ROBBINS DR. #300, THE WOODLANDS, TX</b>			<b>INDEFINITE</b>
2.	<b>ROBERTO MONTE</b>	<b>"</b>			<b>"</b>
3.	<b>MARIO B. ROSSO</b>	<b>"</b>			<b>"</b>
4.	<b>R. A. WALKER</b>	<b>"</b>			<b>"</b>
5.					
6.					

DO NOT WRITE IN THIS SPACE - FOR BANK USE ONLY

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OFFICERS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
1. PRESIDENT	<b>MARIO B. ROSSO</b>	<b>SAME AS ABOVE</b>	<b>INDEFINITE</b>
2. VICE PRES	<b>DAVID A. WANDSWORTH</b>		<b>"</b>
ORIGINAL SIGNATURE (OFFICER, DIRECTOR OR INCORPORATOR)		TITLE	DATE
<b>X</b> <i>[Signature]</i>		<b>VICE PRESIDENT</b>	<b>-12412</b>

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30307

# STATE OF DELAWARE 2000 ANNUAL FRANCHISE TAX REPORT

DO NOT ALTER FILE NUMBER

FILE NUMBER <b>2013246</b>		CORPORATION NAME <b>MAXUS ENERGY CORPORATION</b>				PHONE NUMBER <b>214-953-2012</b>	
FEDERAL EMPLOYER ID NO. <b>Non-Responsive</b>		INCORPORATION DATE <b>JULY 19, 1983</b>		RENEWAL/REVOCATION DATE		DATE OF INACTIVITY FROM / / TO / /	
AUTHORIZED STOCK BEGIN DATE      ENDING DATE		DESIGNATION OR STOCK CLASS	NO. OF SHARES	PAR VALUE/SHARE	NO. SHARES ISSUED	TOTAL GROSS ASSETS	ASSETS FOR REGULATED INVESTMENT CORPS JAN. 1st DEC. 31st
03-30-2000		COMMON	5,000	1.000000			
07-19-1983      03-30-2000		PREFERRED	1,000	1.000000			
		COMMON	300,000,000	1.000000			
		PREFERRED	100,000,000	1.000000			
FRANCHISE TAX		\$50.00 PENALTY		1.5% MONTHLY INTEREST	ANN. FILING FEE	PREV CREDIT OR BALANCE	PREPAID QRTY. PAYMENTS
\$ 36,513.25		\$ .00		\$ 219.08	\$ 20.00	\$ 29,320.14 CR	
						AMOUNT DUE \$ 7,432.19	

REGISTERED AGENT 9000010  
THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1209 ORANGE STREET  
WILMINGTON, DE 19801

MAKE CHECK PAYABLE TO:  
DELAWARE SECRETARY OF STATE

CHECK NO.	AMOUNT ENCLOSED

**Non-Responsive**

\$50.00 PENALTY if not Received on or before  
MAR 1, 2001 Plus 1.5% Interest per month.



SEND INVOICE AND PAYMENT ONLY - NO ATTACHMENTS - NO ADDITIONAL PAGES

NATURE OF BUSINESS		PRINCIPAL PLACE OF BUSINESS OUTSIDE OF DELAWARE	
Oil & Gas		The Woodlands TX	
DIRECTORS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
1.	James R. Leach	1330 Lake Robbins Dr	The Woodlands TX
2.	Ronald Monte	1330 Lake Robbins Dr	The Woodlands TX
3.			
4.			
5.			
6.			

DO NOT WRITE IN THIS SPACE - FOR BANK USE ONLY

Non-Responsive

OFFICERS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
1.	MAURO B. ROSSO	1330 Lake Robbins, The Woodlands TX	
2.	DAVID DE W. ROSSO	1330 Lake Robbins, The Woodlands TX	
ORIGINAL SIGNATURE (OFFICER, DIRECTOR OR INCORPORATOR)		TITLE	DATE
X H.R. Leach		Secretary	2/28/01

050326  
500CT

# STATE OF DELAWARE 2001 ANNUAL FRANCHISE TAX REPORT

DO NOT ALTER FILE NUMBER

FILE NUMBER 2013246		CORPORATION NAME MAXUS ENERGY CORPORATION				PHONE NUMBER 214-953-2012	
FEDERAL EMPLOYER ID NO. Non-Responsive		INCORPORATION DATE JULY 19, 1983		RENEWAL/REVOCATION DATE		DATE OF INACTIVITY FROM / / TO / /	
AUTHORIZED STOCK BEGIN DATE 83-30-2000		ENDING DATE		DESIGNATION OR STOCK CLASS COMMON PREFERRED		NO. OF SHARES 3,800 1,000	
PAR VALUE/SHARE 1.000000 1.000000		NO. SHARES ISSUED		TOTAL GROSS ASSETS		ASSET DATE JAN. 1st DEC. 31st	
FRANCHISE TAX \$ 50.00		\$50.00 PENALTY		1.5% MONTHLY INTEREST		ANNUAL FILING FEE \$ 20.00	
PREV CREDIT OR BALANCE		PREPAID CTRY. PAYMENTS		AMOUNT DUE \$ 70.00			

REGISTERED AGENT 9000010  
THE CORPORATION TRUST COMPANY  
CORPORATION TRUST CENTER  
1209 ORANGE STREET  
WILMINGTON, DE 19801

MAKE CHECK PAYABLE TO:  
DELAWARE SECRETARY OF STATE  
CHECK NO. AMOUNT ENCLOSED

\$50.00 PENALTY if not Received on or before  
MAR 1, 2002 Plus 1.5% Interest per month.

Non-Responsive

NATURE OF BUSINESS <u>explosion</u>		PRINCIPAL PLACE OF BUS. VESS OUTSIDE OF DELAWARE <u>The Woodlands</u>	
DIRECTORS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
1.	<u>James R. Leight</u>	<u>1330 Lake Robbins Dr. Ste 300 The Woodlands</u>	<u>TX</u>
2.	<u>Miguel Angel Boman</u>	<u>1330 Lake Robbins Dr. Ste 300 The Woodlands</u>	<u>TX</u>
3.			
4.			
5.			
6.			

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OFFICERS	NAME	STREET/CITY/STATE/ZIP	DATE TERM EXPIRES
1.	<u>Marion B. Ross</u>	<u>1330 Lake Robbins Dr. Ste 300 The Woodlands</u>	<u>TX</u>
2.	<u>David A. Waples</u>	<u>1330 Lake Robbins Dr. Ste 300 The Woodlands</u>	<u>TX</u>
ORIGINAL SIGNATURE (OFFICER, DIRECTOR OR INCORPORATOR)		TITLE	DATE
<u>X</u> <u>W. A. Waples</u>		<u>V. President</u>	<u>2/2/02</u>

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MAY 21 1985 4:16 P.M.

*John F. [illegible]*  
[illegible]

RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
DIAMOND SHAMROCK CORPORATION  
(Originally incorporated under the name of  
New Diamond Corporation on July 19, 1983)

FIRST The name of the Corporation (the "Corporation") is Diamond Shamrock Corporation.

SECOND The registered office of the Corporation in the State of Delaware is located at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

THIRD The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH The Corporation is authorized to issue two classes of capital stock, designated Common Stock and Preferred Stock. The amount of total authorized capital stock of the Corporation is 400,000,000 shares, divided into 300,000,000 shares of Common Stock, \$1.00 par value, and 100,000,000 shares of Preferred Stock, \$1.00 par value.

The Preferred Stock may be issued in one or more series. The Board of Directors is hereby authorized to issue the shares of Preferred Stock in such series and to fix from time to time before issuance the number of shares to be included in any series and the designation, relative powers, preferences and rights and qualifications, limitations or restrictions of all shares of such series. The authority of the Board of Directors with respect to each series shall include, without limiting the generality of the foregoing, the determination of any or all of the following:

(a) the number of shares of any series and the designation to distinguish the shares of such series from the shares of all other series;

(b) the voting powers, if any, and whether such voting powers are full or limited, in such series;

(c) the redemption provisions, if any, applicable to such series, including the redemption price or prices to be paid;

(d) whether dividends, if any, shall be cumulative or noncumulative, the dividend rate of such series, and the dates and preferences of dividends on such series;

(e) the rights of such series upon the voluntary or involuntary dissolution of, or upon any distribution of the assets of, the Corporation;

(f) the provisions, if any, pursuant to which the shares of such series are convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock, or any other security, of the Corporation or any other corporation, and price or prices or the rates of exchange applicable thereto;

(g) the right, if any, to subscribe for or to purchase any securities of the Corporation or any other corporation;

(h) the provisions, if any, of a sinking fund applicable to such series; and

(i) any other relative, participating, optional or other special powers, preferences, rights, qualifications, limitations or restrictions thereof;

all as shall be determined from time to time by the Board of Directors and shall be stated in said resolution or resolutions providing for the issuance of such Preferred Stock (a "Preferred Stock Designation").

#### *\$2.07 Cumulative Convertible Preferred Stock*

The following is a statement of the powers, preferences, rights, qualifications, limitations and restrictions of the Series, consisting of 4,183,374 shares, \$1.00 par value, of the \$2.07 Cumulative Convertible Preferred Stock.

(A) *Dividend Rate; Cumulative Date.* The holders of this Series shall be entitled in each year to receive, as and when declared by the Board of Directors out of funds legally available for such purpose, cash dividends, payable quarterly on the fifteenth day of March, June, September and December, respectively, in each year commencing December 15, 1983, and payable at the following rates:

(1) on December 15, 1983, at the annual rate of \$.34 per share per year (assuming payment of dividends shall have commenced on such date, in accordance with this division (A)), and

(2) on any dividend payment date occurring after December 15, 1983, at the annual rate of \$2.07 per share per year.

Dividends on the shares of this Series shall be cumulative from September 15 and shall be payable on the dividend payment dates referred to above. In the event that the Corporation shall fail to declare and pay dividends on this Series as provided herein, no dividends on any other series of Preferred Stock of the Corporation shall be declared or paid unless and until the Corporation shall have declared and paid, or made available for payment, an amount equal to all accrued but unpaid dividends on this Series. In no event, so long as any shares of this Series shall be outstanding, shall any dividend, whether in cash or property be paid or declared, nor shall any distribution be made, on any junior stock, nor shall any shares of any junior stock be purchased, redeemed or otherwise acquired for value by the Corporation, unless all dividends on shares of this Series for all past quarterly dividend periods and for the then current quarterly period shall have been paid or declared and a sum sufficient for the payment thereof set apart. The foregoing provisions of this paragraph shall not, however, apply to a dividend payable in any junior stock, or the acquisition of shares of any junior stock in exchange for, or through application of the proceeds of the sale of, shares of any other junior stock. Subject to the foregoing, and to the provisions of the Corporation's Certificate of Incorporation and of any other Preferred Stock Designation filed by the Corporation pursuant to Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors may declare, out of any funds legally available therefor, dividends upon the then outstanding shares of any junior stock, and no holders of shares of this Series shall be entitled to share therein.

(B) *Redemption.* The shares of this Series shall not be redeemable.

(C) *Liquidation Rights.* In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, then, before any distribution or payment shall be made to the holders of any junior stock, the holders of shares of this Series shall be entitled to be paid in full \$31.82 per share and no more, together with accrued but unpaid dividends to the payment date whether or not earned or declared. If, upon any liquidation, dissolution or winding up of the affairs of the Corporation, the amounts payable to all holders of all outstanding shares of all series of Preferred Stock to which they are entitled are not paid in full, the holders of shares of all series of Preferred Stock shall share ratably in any distribution of assets in proportion to the full amounts to which they would otherwise be respectively entitled. Neither the consolidation or merger of the Corporation, nor the sale, lease or conveyance of all or a part

of its assets, shall be deemed a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of the foregoing provisions of this division (C).

(D) *Conversion Rights.* The holders of shares of this Series shall have the right, at the option, to convert such shares into shares of Common Stock of the corporation at any time on the following terms and conditions:

(1) The shares of this Series shall be convertible into fully paid and nonassessable shares (calculated as to each conversion to the nearest 1/100th of a share) of Common Stock at the conversion rate in effect at the time of conversion. The rate at which shares of Common Stock shall be delivered upon conversion (the "Conversion Rate") shall be initially one share of Common Stock for each share of this Series; provided, however, that such initial Conversion Rate shall be subject to adjustment from time to time in certain instances as hereinafter provided. The Corporation shall make no payment or adjustment on account of any dividends accrued on the shares of this Series surrendered for conversion or on account of any dividends accrued on the Common Stock.

(2) In order for any holder of shares of this Series to convert the same into Common Stock, he shall surrender the certificate or certificates therefor, duly endorsed, at the office of a Transfer Agent or at such other office as may be designated by the Corporation for this Series, and shall give written notice to the Corporation at said office that he elects to convert the same or part thereof and shall state in writing therein the name or names in which he wishes the certificate or certificates for Common Stock to be issued. The Corporation will, as soon as practicable thereafter, issue and deliver at said office to such holder of shares of this Series, or to his nominee or nominees, certificates for the number of full shares of Common Stock to which he shall be entitled as aforesaid, together with cash in lieu of any fraction of a share as hereinafter provided. Shares of this Series shall be deemed to have been converted as of the close of business on the date of the surrender of such shares for conversion as provided above, and the person or persons entitled to receive Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Stock as of the close of business on such date.

(3) In case the Corporation shall at any time subdivide its outstanding shares of Common Stock into a greater number of shares, by way of a dividend payable in Common Stock or as a stock split, or in case the outstanding shares of Common Stock of the Corporation shall be combined into a smaller number of shares, the Conversion Rate in effect immediately prior to such subdivision or combination shall be adjusted proportionately.

(4) In the event that, at any time or from time to time prior to the conversion of all the shares of this Series, the Corporation shall grant to the holders of its Common Stock the right to subscribe for or purchase any shares of stock of any class of the Corporation, the Corporation shall concurrently therewith grant to the holders of shares of this Series the same purchase or subscription rights, in the same proportion as if each share of this Series had been converted into shares of Common Stock at the then-existing Conversion Rate.

(5) In case of any capital reorganization or any reclassification of the capital stock of the Corporation, or in case of the consolidation or merger of the Corporation with or into another corporation or the conveyance of all or substantially all of the assets of the Corporation to another corporation, each share of this Series shall thereafter be convertible into the number of shares of stock or other securities or property to which a holder of the number of shares of Common Stock of the Corporation deliverable upon conversion of such share of this Series would have been entitled upon such reorganization, reclassification, consolidation, merger or conveyance; and, in any such case, appropriate adjustment (as determined by the Board of Directors) shall be made in the application of the

provisions herein set forth with respect to the rights and interests thereafter of the holders of this Series to the end that the provisions set forth herein (including provisions with respect to changes in and other adjustments of the Conversion Rate) shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other property thereafter deliverable upon the conversion of the shares of this Series.

(6) Whenever the Conversion Rate is adjusted as herein provided, the Treasurer of the Corporation shall compute the adjusted conversion rate in accordance with this division (D) and shall prepare a certificate setting forth such adjusted Conversion Rate and showing in detail the facts upon which such adjustment is based, and such certificate shall forthwith be filed with the Transfer Agent or Agents for this Series and a copy thereof mailed to the holders of shares of this Series.

(7) In case:

(a) the Corporation shall declare a dividend (or any other distribution) payable upon its Common Stock otherwise than in cash or in its Common Stock; or

(b) the Corporation shall authorize the granting to the holders of its Common Stock of rights to subscribe for or purchase any shares of stock of any class; or

(c) of any capital reorganization of the Corporation, reclassification of the capital stock of the Corporation, consolidation or merger of the Corporation with or into another corporation, or conveyance of all or substantially all of the assets of the Corporation to another corporation; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Corporation;

then, and in any such case, the Corporation shall cause to be mailed to the Transfer Agent or Agents for this Series, to the holders of record of the outstanding shares of this Series and to Cox & Smith, Incorporated (Attention: Dan G. Webster, III) at least ten days prior to the date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or granting of rights, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or granting of rights are to be determined, or (y) the date on which such classification, reorganization, consolidation, merger, conveyance, dissolution, liquidation or winding up is to take place, and the date, if any is to be fixed, as of which holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, reorganization, consolidation, merger, conveyance, dissolution, liquidation or winding up.

(8) The Corporation shall at all times reserve and keep available out of its authorized but unissued Common Stock or out of shares of Common Stock held in its treasury solely for the purpose of effecting the conversion of the shares of this Series, the full number of shares of Common Stock deliverable upon the conversion of all shares of this Series from time to time outstanding. The Corporation shall from time to time in accordance with the General Corporation Law of the State of Delaware increase the authorized amount of its Common Stock if at any time the authorized number of shares of Common Stock remaining unissued shall not be sufficient to permit the conversion of all of the shares of this Series at the time outstanding.

(9) No fractional shares of Common Stock are to be issued upon conversion, but the Corporation shall pay a cash adjustment in respect of any fraction of a share which would otherwise be issuable in an amount equal to the same fraction of the market price (determined as hereinafter provided) per share of Common Stock on the day of conversion as determined under subdivision (2) above. For the purposes of the foregoing, such

market price shall be the last sale price regular way, or, in the case no such sale takes place on such day, the average of the closing bid and asked prices regular way, in either case as officially quoted on the New York Stock Exchange, or, if the Common Stock is not at the time listed on such Exchange, the average of the closing bid and asked prices as furnished by any recognized dealer in securities selected by the Corporation for that purpose.

(10) The Corporation will pay any and all issue and other taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of shares of this Series pursuant hereto. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the shares of this Series so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of any such tax, or has established, to the satisfaction of the Corporation, that such tax has been paid.

(E) *Shares Not Reissuable.* Shares of this Series purchased by the Corporation or converted shall not be reissued as shares of this Series.

(F) *Voting Rights.* Except as may otherwise be provided by law or in this division (F), the holders of the shares of this Series shall be entitled to vote at a rate of one vote per share as a class with the holders of all other shares of capital stock of the Corporation then entitled to vote, and not as a separate class, on a non-cumulative basis for election of directors and upon all other matters which may be submitted to a vote of holders of the Corporation's Common Stock at any annual or special meeting thereof. In the event of any adjustment in the Conversion Rate of shares of this Series as provided in division (D) hereof, the Initial voting rate set forth above shall be correspondingly and simultaneously adjusted.

If, at any time, dividends payable on issued and outstanding shares of this Series or any other issued and outstanding series of Preferred Stock of the Corporation shall be in default in an amount equivalent to six quarterly dividends, then, in addition to the voting rights in respect of the election of directors set forth in the preceding paragraph, the holders of shares of this Series, voting separately as a Series, shall be entitled to elect two directors and, subject to the provisions of any other Preferred Stock Designation, the holders of the Common Stock and any series of Preferred Stock entitled to vote (including this Series), voting together as a class, shall be entitled to elect the remaining directors of the Corporation. Such right of the holders of shares of this Series to elect two directors may be exercised until dividends in default on shares of this Series shall have been paid in full or declared and set aside in trust. When all such dividends in default shall have been paid in full or declared and set aside in trust (and such dividends in default shall be so paid as soon as lawful and reasonably practicable out of any assets of the Corporation available therefor), holders of shares of this Series shall be divested of such voting rights, subject always to the same provisions for the vesting of such voting rights in the case of any such future dividend default or defaults. Whenever the holders of shares of this Series shall be divested of such voting rights, the term of office of any directors elected by holders of shares of this Series shall immediately terminate without further action.

The foregoing right of holders of shares of this Series with respect to the election of directors of the Corporation may be exercised at any annual meeting of stockholders or, within the limitations hereinafter provided, at a special meeting of stockholders held for such purpose. If the date upon which such right of the holders of shares of this Series shall become vested shall be more than 90 days preceding the date of the next ensuing annual meeting of stockholders as fixed by the By-Laws of the Corporation, the Chairman of the Board of the Corporation shall, within 10 days after delivery to the Corporation at its principal office of a request to such effect signed by the holders of at least 5% of all shares of this Series then outstanding, call a special meeting of stockholders of the Corporation to be held within 40 days



after the delivery of such request for the purpose of permitting holders of shares of this Series and the holders of any other issued and outstanding series of Preferred Stock of the Corporation having special voting rights in respect of any such default, or any similar default in the payment of dividends on shares of such other series, to elect directors to serve until the next annual meeting and until their successors shall be elected and shall qualify. All directors of the Corporation shall be subject to election at the time of any such meeting held for such purpose, notwithstanding that the term for which such directors had been elected shall not then have expired.

Whenever the holders of shares of this Series shall be entitled to elect two directors, any such holder shall have the right, during regular business hours, in person or by a duly authorized representative, to examine and to make transcripts of the stock records of the Corporation for shares of this Series for the purpose of communicating with other holders of shares of this Series with respect to the exercise of such right of election.

At any annual or special meeting of stockholders held for the purpose of electing directors when the holders of shares of this Series shall be entitled to elect two directors, as hereinabove provided, the presence in person or by proxy of the holders of one-third of the outstanding shares of this Series shall be required to constitute a quorum for the election by such series of such two directors, and, subject to the provisions of any other Preferred Stock Designation, the presence in person or by proxy of the holders of a majority of the outstanding shares of Common Stock shall be required to constitute a quorum for the election by such class of the remaining directors; provided, however, that a majority of outstanding shares of the holders of this Series, any other series of Preferred Stock entitled to vote at such meeting to elect directors, or the Common Stock, who are present in person or by proxy shall have power to adjourn such meeting from time to time without notice other than announcement at the meeting. At any such election of directors by the holders of shares of this Series, each such holder shall have one vote for each share of such stock standing in his name on the books of the Corporation on any record date fixed for such purpose or, if no such date be fixed, at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

If, during any interval between annual meetings of stockholders for the election of directors and while the holders of shares of this Series shall be entitled to elect two directors, the directors in office who have been elected by the holders of shares of this Series shall, by reason of resignation, death or removal, be fewer than two (a) the vacancy or vacancies shall be filled by the remaining director, if any, then in office who was so elected or succeeded to a director so elected, and (b) if not so filled within 40 days after the creation thereof, the Chairman of the Board of the Corporation shall call a special meeting of the holders of shares of this Series and such vacancy or vacancies shall be filled at such special meeting.

Any director elected by shares of this Series may be removed from office by vote of the holders of a majority of the shares of this Series. A special meeting of the holders of shares of this Series may be called by a majority vote of the Board of Directors for the purpose of removing a director in accordance with the provisions of this paragraph. The Chairman of the Board of the Corporation shall, in any event, within 10 days after delivery to the Corporation at its principal office of a request to such effect signed by the holders of at least 5% of the outstanding shares of this Series, call a special meeting for such purpose to be held within 40 days after the delivery of such request.

So long as any shares of this Series are outstanding, the consent of the holders of at least 66 2/3% of the outstanding shares of this Series shall be necessary for effecting or validating:

- (1) Any amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation, or of the By-Laws, of the Corporation, which affects adversely the voting

powers, rights or preferences of the holders of shares of this Series or reduces the time for any notice to which the holders of shares of this Series may be entitled;

(2) Any increase or decrease in the aggregate number of, or in the par value of, the authorized shares of Preferred Stock of the Corporation or the authorization or creation, or any increase in the authorized amount, of any stock of any class, or any security convertible into stock of any class, ranking prior to this Series either as to payment of dividend or distribution of assets;

(3) The voluntary dissolution, liquidation or winding up of the affairs of the Corporation, or the sale, lease or conveyance by the Corporation of all or substantially all its property or assets;

(4) The merger or consolidation of the Corporation with or into any other corporation unless the corporation resulting from such transaction will thereafter have no class of stock authorized or outstanding ranking prior to the Preferred Stock or to any class of stock issued in the transaction in exchange for the Preferred Stock, except for any class of stock of any constituent corporation (i) which was outstanding prior to such transaction (and was not created in anticipation of such transaction) and which remains outstanding thereafter, or (ii) which is issued in connection with such transaction in exchange or substitution for, and has substantially the same rights and preferences as, an outstanding class of stock of any of the constituent corporations (which was not created in anticipation of such transaction) prior to such transaction.

(G) *Source of Rights.* The shares of this Series shall not have any relative, participating, optional or other special rights and powers other than as set forth above and in the Certificate of Incorporation.

(H) *Definitions.* As used herein, the following terms shall have the following meanings:

(1) The term "junior stock" shall mean Common Stock and any other class of stock of the Corporation hereafter authorized over which shares of this Series have preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(2) The term "accrued dividends", with respect to any shares of this Series, shall mean an amount computed at the annual dividend rate for shares of this Series from the date on which dividends on such shares become cumulative to and including the date to which such dividends are to be accrued, less the aggregate amount of all dividends theretofore paid thereon.

#### **\$4.00 Cumulative Convertible Preferred Stock**

The following is a statement of the powers, preferences, rights, qualifications, limitations and restrictions of the Series, consisting of 2,500,000 shares, \$1.00 par value, of the \$4.00 Cumulative Convertible Preferred Stock.

(A) *Number of Shares.* The number of shares which shall constitute this Series shall be 2,500,000, which number may be increased or decreased (but not below the number outstanding) from time to time by the Board of Directors of the Corporation.

(B) *Dividend Rate; Cumulative Date.* The annual dividend rate payable on this Series shall be \$4.00 per share, cumulative to the extent not paid from September 15, 1983, and in each case payable quarterly on March 15, June 15, September 15 and December 15 in each year, commencing December 15, 1983.

(C) *Redemption.* The Corporation may, at the option of the Board of Directors, redeem the whole or any part of the then-outstanding shares of this Series, at any time or from time to time, upon notice duly given as hereinafter specified, at the following prices per share if redeemed during the 12-month period beginning December 15 of the year indicated:

1982 .....	\$53.20	1986 .....	\$51.60
1983 .....	52.80	1987 .....	51.20
1984 .....	52.40	1988 .....	50.80
1985 .....	52.00	1989 .....	50.40

and thereafter at \$50.00 per share, together in each case with a sum, for each share so redeemed, computed at the rate of \$4.00 per annum from and after the last regular quarterly payment date applicable to \$4.00 Series C Cumulative Convertible Preferred Shares of Natomas Company, irrespective of whether such date precedes or follows the date of issuance of this Series, on which the quarterly dividend was paid in full (the "Accrual Date"), to and including such date fixed for redemption, less the aggregate of the dividends theretofore and on such redemption date paid on such Series, but computed without interest; provided that unless provision has been made for payment in full of dividends on all shares of outstanding Preferred Stock of the Corporation for all past dividend periods and the current period, no sum shall be set aside for the redemption of any shares of this Series nor shall any shares of this Series be purchased or otherwise acquired by the Corporation.

(D) *Notice of Redemption.* Notice of redemption of shares of this Series, as described in division (C) hereof, shall be given as follows:

(1) Notice of every such redemption of shares of this Series shall be given by publication at least once a week in each of two successive weeks in a newspaper printed in the English language and customarily published on each business day and of general circulation in the city in which the Corporation maintains its principal executive offices and in the Borough of Manhattan, The City of New York, commencing at least 20 but not more than 60 days prior to the date fixed for such redemption. Notice of every such redemption shall also be mailed at least 20 but not more than 60 days prior to the date fixed for such redemption to the holders of record of the shares so to be redeemed at their respective addresses as the same shall appear on the books of the Corporation, but no failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares so to be redeemed.

(2) In case of redemption of a part only of this Series at the time outstanding, the redemption may be either pro rata or by lot. The Board of Directors shall prescribe the manner in which the drawings by lot or the pro rata redemption shall be conducted and, subject to the provisions herein and in the Certificate of Incorporation contained, the terms and conditions upon which the shares of this Series shall be redeemed from time to time.

(3) If such notice of redemption shall have been duly given by publication or if the Corporation shall have given to the bank or trust company designated by the Corporation pursuant to this subdivision (3) irrevocable authorization promptly to give or to complete such notice of publication, and if on or before the redemption date specified therein the funds necessary for such redemption shall have been deposited by the Corporation, in trust for the pro rata benefit of the holders of the shares so called for redemption, with a bank or trust company in good standing, designated in such notice, organized under the laws of the United States of America or of the State of New York, doing business in the Borough of Manhattan, The City of New York, having a capital, surplus and undivided profits aggregating at least \$5,000,000 according to its last published statement of condition, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, from and after the time of such deposit, all shares so called

for redemption shall no longer be deemed to be outstanding and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive from such deposit the funds so deposited, without interest, and the right to exercise on or before the close of business on the date fixed for redemption, privileges of exchange or conversion, if any, not theretofore expiring. Any interest accrued on such funds shall be paid to the Corporation from time to time.

(4) Any funds so set aside or deposited by the Corporation which shall not be required for such redemption because of the exercise of any right of conversion or exchange subsequent to the date of such deposit shall be released or repaid to the Corporation. Any funds so set aside or deposited, as the case may be, and unclaimed at the end of six years from such redemption date shall be released or repaid to the Corporation, after which the holders of the shares so called for redemption shall look only to the Corporation for payment thereof.

(5) In connection with any redemption of shares of this Series, the Corporation may arrange for the purchase and conversion of any shares of this Series by an agreement with one or more investment banking firms or other purchasers to purchase such shares by paying to or for the account of the holders thereof on or before the close of business on the date fixed for such redemption an amount not less than the redemption price (plus accrued and unpaid dividends) payable by the Corporation on redemption of such shares. Any shares of this Series tendered by the holders thereof for redemption or not duly surrendered for conversion or deemed converted by the holders thereof prior to the close of business on the date fixed for redemption shall be deemed acquired by such purchasers from such holders immediately prior to the close of business on the date fixed for such redemption and surrendered by such purchasers for conversion pursuant to such agreement, subject to payment of the amount indicated above. Such amount shall be deposited, in trust for the pro rata benefit of the holders of shares of this Series entitled thereto, with a bank or trust company described in subdivision (3) of this division, and such deposit shall in all respects be treated as though made by the Corporation pursuant thereto.

(6) If the Market Value of the Conversion Unit (as hereinafter defined) on the date fixed for the redemption of shares of this Series is at least equal to 120% of the amount payable in respect of each share of this Series upon such redemption in accordance with division (C) hereof, then shares of this Series not duly surrendered for conversion by the holders thereof prior to the close of business on the date fixed for redemption shall nevertheless be deemed to be converted by such holders into shares of Common Stock pursuant to division (H) hereof immediately prior to such time; provided, however, that no certificates for Common Stock issuable upon such conversion shall be issued to any holder of shares of this Series so converted or dividends paid or other distributions made on the Common Stock so issued to such holder unless and until such holder shall surrender to the Corporation the certificates for the shares of this Series so converted. Upon such surrender, there shall be paid to the holder of such certificates the aggregate amount of dividends and other distributions that but for the provisions hereof would have been paid by the Corporation with respect to the Common Stock issued on such conversion, but without interest thereon. Until certificates representing shares of this Series have been so surrendered such certificates shall be deemed for all corporate purposes, other than the payment of dividends or distributions, to evidence ownership of the Common Stock issued upon conversion of such shares. For purposes of this subdivision (6), the "Conversion Unit" at any time shall be deemed to be the number of shares of Common Stock into which each share of this Series then may be converted, as provided in division (H) hereof, and the "Market Value of the Conversion Unit" on any date fixed for the redemption of shares of this Series shall be deemed to be the amount determined by multiplying (i) the Conversion

Unit on such date by (ii) the closing price per share of Common Stock on such date, determined as provided in subdivision (3) of division (H) hereof.

(E) *Liquidation.* The amount which shall be paid to the holders of shares of this Series in the event of any voluntary or involuntary total liquidation, dissolution or winding up of the Corporation shall be \$50.00 per share on each outstanding share of this Series, plus in respect of each share of this Series a sum computed at the rate of \$4.00 per annum from and after the Accrual Date, to and including the date fixed for such payment, less the aggregate of dividends theretofore paid thereon, but computed without interest.

(F) *Ratable Treatment.* In the event that the amounts payable in accordance with division (E) hereof are not paid in full, each share of this Series shall, together with outstanding shares of all other series of Preferred Stock of the Corporation, share ratably, without priority of one series over the other, in the payment of dividends, including accumulations, if any, in the proportion that the amount of dividends, including accumulations, if any, then payable on each share bears to the aggregate of such amounts then payable on all Preferred Stock of the Corporation and in any distribution of assets other than by way of dividends in the proportion that the sum payable on each share bears to the aggregate of the amounts so payable on all shares of Preferred Stock of the Corporation.

(G) *Limitation on Dividends.* So long as any of the shares of this Series shall remain outstanding, no dividend whatever shall be paid or declared, and no distribution made, on any junior shares, other than a dividend payable solely in junior shares, nor shall any junior shares be acquired for a consideration by the Corporation or by any company a majority of the voting shares of which is owned by the Corporation, unless all dividends on the shares of this Series accrued for all past quarterly dividend periods shall have been paid and the full dividends thereon for the then current quarterly dividend period shall have been paid or declared and duly provided for.

(H) *Conversion Rights.* The terms upon which the holders of shares of this Series may convert the same into shares of any other class or classes are as follows:

(1) Subject to the provisions for adjustment hereinafter set forth and to the provisions of the division (D) hereof, each of the shares of this Series shall be convertible, at the option of the holder, upon surrender to any Transfer Agent for such shares or to the Corporation if no such Transfer Agent exists, of the certificate for the share to be converted, into 1.2280 fully paid and non-assessable shares of Common Stock of the Corporation. The right to convert shares of this Series called for redemption shall terminate at the close of business on the date fixed for redemption, unless the Corporation shall default in the payment of the redemption price determined as provided in division (C) hereof; upon conversion of any shares of this Series, no allowance or adjustment shall be made for dividends on either class of shares, but nothing in this subdivision shall relieve the Corporation from its obligation to pay any dividends which shall have been declared and shall be payable to holders of shares of this Series of record as of a date prior to such conversion even though the payment date for such dividend is subsequent to the date of conversion.

(2) The number of shares of Common Stock into which each of the shares of this Series is convertible shall be subject to adjustment from time to time as follows:

(i) In case the Corporation shall (a) pay a dividend on its Common Stock in shares of the Corporation, (b) subdivide its outstanding Common Stock, (c) combine its outstanding Common Stock into a smaller number of shares, or (d) issue by reclassification of its Common Stock (whether pursuant to a merger or consolidation or otherwise) any shares of the Corporation, then each holder of a share of this Series shall be entitled to receive upon the conversion of such share, the number of shares of

the Corporation which he would have owned or have been entitled to receive after the happening of any of the events described above had such share been converted immediately prior to the happening of such event. Such adjustment shall be made whenever any of the events listed above shall occur. An adjustment made pursuant to this subdivision shall become effective retroactively with respect to conversions made subsequent to the record date in the case of a stock dividend, and shall become effective on the effective date in the case of a subdivision, combination or reclassification.

(ii) In case the Corporation shall issue rights or warrants to the holders of its Common Stock as such entitling them to subscribe for or purchase Common Stock, at a price per share less than the current market price per share of Common Stock (as defined in subdivision (3) below) on the record date for determination of stockholders entitled to receive such rights or warrants, then in each such case the number of shares of Common Stock into which each share of this Series shall thereafter be convertible shall be determined by multiplying the number of shares of Common Stock into which such share of this Series was theretofore convertible by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such current market price. For the purposes of this subdivision, the issuance of rights or warrants to subscribe for or purchase shares or securities convertible into shares of Common Stock shall be deemed to be the issuance of rights or warrants to purchase the shares of Common Stock into which such shares or securities are convertible at an aggregate offering price equal to the aggregate offering price of such shares or securities plus the minimum aggregate amount (if any) payable upon conversion of such shares or securities into shares of Common Stock. Such adjustment shall be made whenever any such rights or warrants are issued, and shall become effective retroactively with respect to conversions made subsequent to the record date for the determination of stockholders entitled to receive such rights or warrants.

(iii) In case the Corporation shall distribute to holders of its Common Stock (whether pursuant to a merger or consolidation or otherwise) evidences of its indebtedness or assets (excluding cash distributions after August 31, 1963 not exceeding the aggregate net earnings of the Corporation and its subsidiaries on a consolidated basis after such date less dividends paid after such date on shares other than shares of Common Stock, all determined in accordance with generally accepted accounting principles) or rights to subscribe (excluding those referred to in paragraph (ii) above) then in each such case the number of shares of Common Stock into which each share of this Series shall thereafter be convertible shall be determined by multiplying the number of shares of Common Stock into which such share of this Series was therefore convertible by a fraction of which the numerator shall be the current market price per share of the Common Stock (as defined in subdivision (3) below) on the record date for determination of stockholders entitled to receive such distribution, and of which the denominator shall be such current market price per share of the Common Stock less the fair value (as determined by the Board of Directors of the Corporation, whose determination shall be conclusive, and described in a statement filed with each Transfer Agent for the shares of this Series) of the portion of the assets or evidences of indebtedness so distributed or of such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made, and shall become effective retroactively with respect to

conversions made subsequent to the record date for the determination of stockholders entitled to receive such distribution.

(3) For the purposes of any computation under subdivision (2) above, the current market price per share of Common Stock on any date shall be deemed to be the average of the daily closing prices for the 30 consecutive full business days commencing 45 full business days before the day in question. The closing price for each day shall be the last sales price regular way or, in case no sale takes place on such day, the average of the closing bid and asked prices regular way. In either case (i) as officially quoted by the New York Stock Exchange Composite Tape or (ii) if, in the reasonable judgment of the Board of Directors of the Corporation, the New York Stock Exchange, Inc. is no longer the principal United States market for the Common Stock, then as quoted on the principal United States stock exchange or market for the Common Stock as determined by the Board of Directors of the Corporation, or (iii) if, in the reasonable judgment of the Board of Directors of the Corporation there exists no principal United States stock exchange or market for the Common Stock, then as reasonably determined by the Board of Directors of the Corporation.

(4) No adjustment in the conversion rate shall be required unless such adjustment (plus any adjustments not previously made by reason of this subdivision (4)) would require an increase or decrease of at least 1% in the number of shares of Common Stock into which each share of this Series is then convertible; provided, however, that any adjustments which by reason of this subdivision (4) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under division (H) shall be made to the nearest one-hundred thousandth of a share.

(5) Whenever any adjustment is required in the shares into which shares of this Series is convertible, the Corporation shall forthwith (i) file with each Transfer Agent for this Series a statement describing in reasonable detail the adjustment and the method of calculation used, and (ii) cause a copy of such statement to be mailed to the holders of record of the shares of this Series as of the effective date of such adjustment.

(6) No fractional shares or scrip representing fractional shares shall be issued upon the conversion of shares of this Series. If any such conversion would otherwise require the issuance of a fractional share, an amount equal to such fraction multiplied by the closing price (determined as provided in subdivision (3) above) of the shares of Common Stock on the day of conversion shall be paid to the holder in cash by the Corporation.

(7) The certificate of any independent firm of public accountants of recognized standing selected by the Board of Directors shall be evidence of the correctness of any computation made under this division (H).

(8) All shares of this Series redeemed, purchased or otherwise acquired by the Corporation or surrendered to it for conversion into Common Stock as provided above shall be cancelled and thereupon restored to the status of authorized but unissued Preferred Stock undesignated as to series.

(9) The Corporation shall be entitled to make such increases in the conversion rate, in addition to those required by this division (H), as shall be determined by the Board of Directors, as evidenced by a resolution thereof, which are advisable in order to avoid taxation so far as practicable of any dividend of shares or rights to shares, or any event treated as such a dividend to the recipients for federal income tax purposes.

(10) The shares of this Series shall be deemed to have been converted and the person converting the same to have become the holder of record of shares of Common Stock, for the purpose of receiving dividends and for all other purposes whatever, as of the

date when a certificate or certificates for such shares of this Series are surrendered to the Corporation as aforesaid. The Corporation shall not be required to make any such conversion, and no surrender of the shares of this Series shall be effective for such purpose, while the books for the transfer of either the shares of Common Stock or of this Series are closed for any purpose, but the surrender of such shares of this Series for conversion during any period while such books are closed shall become effective for all purposes of conversion immediately upon the reopening of such books, as if the conversion had been made on the date such shares of this Series were surrendered.

(11) The Corporation shall at all times reserve and keep available out of its authorized Common Stock the full number of shares into which all shares of this Series from time to time outstanding are convertible. If at any time the number of authorized and unissued shares of Common Stock shall not be sufficient to effect the conversion of all outstanding shares of this Series at the conversion rate then in effect, the Corporation shall take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized and unissued Common Stock to such number as shall be sufficient for such purpose.

(i) *Voting Rights.* Except as may otherwise be provided by law or in this division (i), the holders of the shares of this Series shall be entitled to vote at a rate of one vote per share as a class with the holders of all other shares of capital stock of the Corporation then entitled to vote, and not as a separate class, on a non-cumulative basis for election of directors and upon all other matters which may be submitted to a vote of holders of the Corporation's Common Stock at any annual or special meeting thereof.

In addition to the voting rights in respect of the election of directors set forth in the preceding paragraph, the shares of this Series shall have the voting rights set forth below:

(1) So long as any of the shares of this Series are outstanding, the consent of the holders of at least a majority of the then-outstanding shares of this Series, given in person or by proxy at any special or annual meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following:

(i) Any increase in the authorized amount of Preferred Stock or the authorization, or any increase in the authorized amount, of any class of shares of the Corporation ranking on a parity with the Preferred Stock.

(ii) The sale, lease or conveyance (other than by mortgage) of all or substantially all of the property or business of the Corporation or the consolidation or merger of the Corporation into any other corporation, unless the corporation resulting from such merger or consolidation shall have thereafter no class of shares, either authorized or outstanding, ranking prior to or on a parity with shares corresponding to the shares of Preferred Stock, except the same number of shares with no greater rights and preferences than the shares of Preferred Stock authorized immediately preceding such consolidation or merger and unless each holder of shares of Preferred Stock immediately preceding such consolidation or merger shall receive the same number of shares, with substantially the same rights and preferences, of the resulting corporation; provided, however, that the resulting corporation may have authorized and outstanding such additional shares having preferences or priorities over or being on a parity with the shares of Preferred Stock as the holders of Preferred Stock of the Corporation may have previously authorized pursuant to the Certificate of Incorporation; and provided, further, that this requirement of consent by the holders of shares of Preferred Stock shall not be deemed to apply to or operate to prevent either the purchase by the Corporation of the assets or shares, in whole or in part, of any other corporation, or the sale by the Corporation or any subsidiary of all or part of the capital shares or assets of



other corporations, including a subsidiary, or the sale of a division or divisions of the Corporation or of any subsidiary, or any other sale of property or assets which constitutes less than substantially all of the property or assets of the Corporation.

(2) So long as any of the shares of this Series are outstanding, the consent of the holders of at least 66 2/3% of the then-outstanding shares of this Series given in person or by proxy, at any special or annual meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following:

(i) The authorization, or any increase in the authorized amount, of any class of shares of the Corporation ranking prior to the shares of Preferred Stock.

(ii) The amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation, or the amendment, alteration, repeal or adoption of any resolution contained in a certificate of designation filed pursuant to Section 151 of the General Corporation Law of the State of Delaware in the office of the Secretary of State of the State of Delaware, which would affect adversely any right, preference, privilege or voting power of the shares of this Series or shares of any other series of Preferred Stock or the holders thereof.

(3) Without limiting the rights, if any, of holders of any other series of Preferred Stock, in case the Corporation shall be in arrears in the payment of six quarterly dividends, whether or not successive, on the outstanding shares of this Series or any other outstanding series of Preferred Stock, the holders of shares of this Series voting separately as a class and in addition to their other voting rights shall have the exclusive right to elect two additional directors beyond the number to be elected by all stockholders at the next annual meeting of stockholders called for the election of directors, and at every subsequent such meeting at which the terms of office of the directors so elected by the holders of shares of this Series expire, provided such arrearage exists on the date of such meeting or subsequent meetings, as the case may be. The right of the holders of shares of this Series voting separately as a class to elect two members of the Board of Directors of the Corporation as aforesaid shall continue until such time as all dividends accumulated on all shares of Preferred Stock shall have been paid in full and provision has been made for the payment in full of the dividends for the current quarter, at which time the special right of the holders of shares of this Series to vote separately as a class for the election of directors shall terminate, subject to reverting at such time as the Corporation shall be in arrears in the payment of six quarterly dividends, whether or not successive, on the outstanding shares of this Series or any other outstanding series of Preferred Stock. If the annual meeting of stockholders of the Corporation is not, for any reason, held on the date fixed in the By-Laws at a time when the holders of shares of this Series, voting separately and as a class, shall be entitled to elect directors, or if vacancies shall exist in both of the two offices of directors elected by the holders of shares of this Series, the Chairman of the Board of the Corporation shall, upon the written request of the holders of record of at least 10% of the shares of this Series then outstanding addressed to the Secretary of the Corporation, call a special meeting in lieu of the annual meeting of stockholders, or, in the event of such vacancies, a special meeting of the holders of shares of this Series, for the purpose of electing directors. Any such meeting shall be held at the earliest practicable date at the place for the holding of the annual meeting of stockholders or as otherwise determined pursuant to the By-Laws. If such meeting shall not be called by the Chairman of the Board of the Corporation within 20 days after personal service of said written request upon the Secretary of the Corporation, or within 20 days after mailing the same within the United States by certified mail, addressed to the Secretary of the Corporation at its principal executive offices, then the holders of record of at least 10% of the outstanding shares of this Series may designate in writing one of their number to call such meeting at the expense

of the Corporation, and such meeting may be called by the person so designated upon the notice required for the annual meeting of stockholders of the Corporation and shall be held at the place for holding the annual meetings of stockholders or as otherwise determined pursuant to the By-Laws. Any holder of shares of this Series so designated shall have access to the lists of stockholders to be called pursuant to the provisions hereof.

At any meeting held for the purpose of electing directors at which the holders of shares of this Series shall have the right to elect directors as aforesaid, the presence in person or by proxy of the holders of at least 33 1/3% of the outstanding shares of this Series shall be required to constitute a quorum of such shares of this Series.

In the event any meeting of the holders of shares of this Series shall be held for the purpose of electing directors pursuant to this subdivision (3), nothing contained herein shall preclude the Corporation from simultaneously calling and holding a meeting of any other class or series of capital stock of the Corporation which may have voting rights to elect directors.

Any vacancy occurring in the office of director elected by the holders of shares of this Series may be filled by the remaining director elected by the holders of the shares of such class, unless and until such vacancy shall be filled by the holders of the shares of such class. Any director to be elected by the holders of shares of this Series shall agree, prior to his election to office, to resign upon any termination of the right of the holders of shares of this Series to vote as a class for directors as herein provided, and upon any such termination the directors then in office elected by the holders of shares of this Series shall forthwith resign.

(J) *Certain Taxes.* The Corporation shall pay any and all taxes which may be imposed upon it with respect to the issuance and delivery of shares of Common Stock upon the conversion of the shares of this Series as herein provided. The Corporation shall not be required in any event to pay any transfer or other taxes by reason of the issuance of such shares of Common Stock in names other than those in which the shares of this Series surrendered for conversion may stand, and no such conversion or issuance of shares of Common Stock shall be made unless and until the person requesting such issuance has paid to the Corporation the amount of any such tax or has established to the satisfaction of the Corporation and its transfer agent, if any, that such tax has been paid.

(K) *No Sinking Fund.* No sinking fund shall be provided for the purchase or redemption of the shares of this Series.

(L) *No Preemptive Rights.* The holders of shares of this Series are not entitled to any preemptive or other rights to subscribe for or to purchase any shares or securities of any class which may at any time be issued, sold or offered for sale by the Corporation.

(M) *Rank.* All shares of Preferred Stock, including this Series, shall be of equal rank with each other regardless of series, and shall be identical with each other except as provided in the Certificate of Incorporation or in a certificate of designation filed pursuant to Section 151 of the General Corporation Law of the State of Delaware with the Secretary of State of the State of Delaware.

Each holder of Common Stock of the Corporation entitled to vote shall have one vote for each share thereof held except in the case of any election of Directors as provided in Section 4 of Article Eighth.

Except as may be provided in this Certificate of Incorporation or by the Board of Directors in a Preferred Stock Designation, the Common Stock shall have the exclusive right to vote for the election of Directors and for all other purposes, and holders of Preferred Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote or consent.

The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes, and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable laws.

**FIFTH.** In furtherance of, and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized and empowered:

(a) To make and alter the By-Laws of the Corporation; provided, however, that the By-Laws made by the Board of Directors under the powers hereby conferred may be altered, changed, amended or repealed by the Board of Directors or by the stockholders having voting power with respect thereto, except that By-Laws 8, 12, 15 and 49 shall not be altered, changed, amended or repealed, nor shall any provision inconsistent with such By-Laws be adopted, without the affirmative vote of the holders of at least 80% of the combined voting power of all shares of the Corporation entitled to vote generally in the election of Directors, voting together as a single class. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the combined voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, change, amend, repeal, or adopt any provision inconsistent with, this Section (a) of Article Fifth; and

(b) From time to time to determine whether and to what extent, and at what times and places, and under what conditions and regulations, the accounts and books of the Corporation or any of them, shall be open to inspection of stockholders; and no stockholder shall have any right to inspect any account, book or document of the Corporation, except as conferred by applicable law and subject to the rights, if any, of the holders of any series of Preferred Stock.

The Corporation may in its By-Laws confer powers upon its Board of Directors in addition to the foregoing and in addition to the powers and authorities expressly conferred upon the Board of Directors by applicable law.

**SIXTH.** The stockholders and Board of Directors of the Corporation shall have power to hold their meetings and to have one or more offices of the Corporation within or without the State of Delaware, and to keep the books of the Corporation outside of the State of Delaware at such place or places as may from time to time be designated by the Board of Directors.

**SEVENTH.** Subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional Directors under specific circumstances:

(a) Any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing of such stockholders; and

(b) Special meetings of stockholders of the Corporation may be called only by the Chairman of the Board of Directors and shall be promptly called by the Chairman or the Secretary at the written request of a majority of the Board of Directors upon not fewer than ten nor more than 60 days' written notice.

Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the combined voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, change, amend, repeal, or adopt any provision inconsistent with, this Article Seventh.

**EIGHTH. SECTION 1. Number, Election and Terms of Directors.** Subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon

liquidation to elect additional Directors under specific circumstances, the number of the Directors of the Corporation shall be fixed from time to time by or pursuant to the By-Laws of the Corporation. The Directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, shall be classified with respect to the time for which they severally hold office into three classes, as nearly their equal in number as possible, as shall be provided in the manner specified in the By-Laws of the Corporation. At the annual meeting of the stockholders held in 1985, one class shall be originally elected for a term expiring at the annual meeting of stockholders to be held in 1986, another class shall be originally elected for a term expiring at the annual meeting of stockholders to be held in 1987, and another class shall be originally elected for a term expiring at the annual meeting of stockholders to be held in 1988, with the members of each class to hold office until their successors are elected and qualified. At each succeeding annual meeting of the stockholders of the Corporation, the successors of the class of Directors whose term expires at that meeting shall, subject to Section 4 of this Article Eighth, be elected by plurality vote of all votes cast at such meeting to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

**SECTION 2. *Stockholder Nomination of Director Candidates and Introduction of Business.*** Advance notice of stockholder nominations for the election of Directors and advance notice of business to be brought by stockholders before an annual meeting shall be given in the manner provided in the By-Laws of the Corporation.

**SECTION 3. *Newly Created Directorships and Vacancies.*** Except as otherwise provided for or fixed by or pursuant to the provisions of Article Fourth of this Certificate of Incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect Directors under specified circumstances, newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled only by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board of Directors. Any Director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of Directors in which the new directorship was created or the vacancy occurred and until such Director's successor shall have been elected and qualified. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of an incumbent Director.

**SECTION 4. *Cumulative Voting in Certain Circumstances.*** In any election of Directors of the Corporation on or after the date on which the Corporation becomes aware that any 30% Stockholder (as defined below) has become a 30% Stockholder, there shall be cumulative voting for election of Directors so that any holder of shares of Voting Stock may cumulate the voting power represented by his shares and give one candidate a number of votes equal to the number of Directors to be elected multiplied by the number of votes to which such shares are entitled, or distribute such votes on the same principle among as many candidates for election as such holder of shares determines. For the purposes of this Section 4 of Article Eighth, a "30% Stockholder" shall mean any person (other than the Corporation and any other corporation of which a majority of the voting power of the capital stock entitled to vote generally in the election of directors is owned, directly or indirectly, by the Corporation) who or which is the beneficial owner, directly or indirectly, of 30% or more of the outstanding Voting Stock.

**SECTION 5. *Removal.*** Subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional Directors under specified circumstances, any Director may be removed from office only by the affirmative vote of the holders of at least 80% of the combined voting power of the outstanding shares of Voting Stock, voting together as a single class; provided, that notwithstanding the foregoing provisions of this Section 5 of this Article Eighth, if at any time when cumulative voting is permitted pursuant to Section 4 of this Article Eighth less than the entire Board of Directors is to be removed, no Director

may be removed from office if the votes cast against his removal would be sufficient to elect him as a Director if then cumulatively voted for him at an election of the class of Directors of which he is a part.

**SECTION 6. Amendment, Repeal or Alteration.** Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the combined voting power of the outstanding shares of the Voting Stock, voting together as a single class, shall be required to alter, change, amend, repeal, or adopt any provision inconsistent with this Article Eighth.

**SECTION 7. Certain Definitions.** For the purpose of this Article Eighth:

- (a) A "person" shall mean any individual, firm, corporation or other entity.
- (b) "Voting Stock" shall mean the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of Directors. In any vote required by or provided for in this Article Eighth, each share of Voting Stock shall have the number of votes granted to it generally in the election of Directors.
- (c) A person shall be a "beneficial owner" of any shares of Voting Stock:
  - (i) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or
  - (ii) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or
  - (iii) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any Voting Stock;

provided, however, that no person shall be deemed to be a "beneficial owner" of any shares of Voting Stock solely by reason of such person's right to vote or to acquire such Voting Stock pursuant to any agreement or instrument approved by a majority of the Board of Directors.

(d) In determining whether a person is a 30% Stockholder pursuant to Section 4 of this Article Eighth, any class of Voting Stock outstanding shall be deemed to include any Voting Stock deemed owned through application of paragraph (c) of this Section 7 but shall not include any other securities of such class which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(e) "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1985.

**NINTH SECTION 1. Prevention of Greenmail.** Any direct or indirect purchase or other acquisition by the Corporation of any Voting Stock of any class from any Interested Stockholder at a price in excess of the Market Price shall, except as hereinafter provided, require the affirmative vote of the holders of at least a majority of the combined voting power of the Voting Stock, voting as a single class, excluding any votes cast with respect to shares of Voting Stock beneficially owned by such Interested Stockholder. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law in or any agreement with any national securities exchange, or otherwise, but no such affirmative vote shall be required with

respect to any purchase or other acquisition of securities made as part of (a) a tender or exchange offer by the Corporation to purchase securities of the same class made on the same terms to all holders of such securities and complying with the applicable requirements of the United States securities laws and the rules and regulations thereunder, (b) the redemption of any shares of Preferred Stock pursuant to the provisions of Article Fourth of this Certificate of Incorporation or any Preferred Stock Designation, or (c) pursuant to an open-market purchase program conducted in accordance with the requirements of Rule 10b-18 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, or any successor rule or regulation.

**SECTION 2. Prevention of Self-Dealing.** In addition to any action, including any vote by stockholders required by law or this Certificate of Incorporation, the approval or authorization of any Self-Dealing Transaction shall require either (a) the approval of a majority of Disinterested Directors or (b) the affirmative vote of the holders of at least a majority of the combined voting power of the Voting Stock, voting together as a single class, excluding any votes cast with respect to shares of Voting Stock beneficially owned by an Interested Stockholder which is directly or indirectly a party, or an Affiliate or Associate of which is, directly or indirectly, a party, to such Self-Dealing Transaction.

**SECTION 3. Certain Definitions.** For the purpose of this Article Ninth:

(a) A "person" shall mean any individual, firm, corporation or other entity.

(b) "Voting Stock" shall mean the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of Directors. In any vote required by or provided for in this Article Ninth, each share of Voting Stock shall have the number of votes granted to it generally in the election of Directors.

(c) "Interested Stockholder" shall mean any person (other than the Corporation or any Subsidiary) who or which:

(i) is the beneficial owner, directly or indirectly, of more than 5% of the outstanding Voting Stock; or

(ii) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of more than 5% of the outstanding Voting Stock; or

(iii) is an assignee of or has otherwise succeeded to any Voting Stock of the Corporation which at any time within the two-year period immediately prior to the date in question was beneficially owned by any Interested Stockholder. If such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(d) A person shall be a "beneficial owner" of any shares of Voting Stock:

(i) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates had any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any Voting Stock.

(e) In determining whether a person is an Interested Stockholder pursuant to paragraph (c) of this Section 3, any class of Voting Stock outstanding shall be deemed to include any Voting Stock deemed owned through application of paragraph (d) of this Section 3 but shall not include any other securities of such class which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(f) "Self-Dealing Transaction" means any of the following transactions:

(i) any merger or consolidation of the Corporation or any Subsidiary with (a) any Interested Stockholder or (b) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate of an Interested Stockholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate fair market value of \$25,000,000 or more or any loan, advance, guarantee or other financial assistance, including any tax credit or other tax advantages, to or with any Interested Stockholder or any Affiliate of any Interested Stockholder which involves a financial obligation or benefit of \$25,000,000 or more; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities, or other property (or a combination thereof) having an aggregate fair market value of \$25,000,000 or more; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Stockholder or any Affiliate of any Interested Stockholder; or

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of Voting Stock of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder.

(g) "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1985.

(h) "Subsidiary" means any corporation of which a majority of any class of shares of such corporation entitled to vote generally in the election of directors is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Interested Stockholder set forth in paragraph (c) of this Section 3, the term "Subsidiary" shall mean only a corporation of which a majority of the combined voting power of all shares of such corporation entitled to vote generally in the election of directors is owned, directly or indirectly, by the Corporation.

(i) "Disinterested Director" means any member of the Board of Directors of the Corporation who is unaffiliated with the Interested Stockholder and was a member of the Board of Directors prior to the time that the Interested Stockholder became an Interested Stockholder,

and any successor of a Disinterested Director who is unaffiliated with the Interested Stockholder and is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board of Directors.

(j) "Market Price" means the average of the closing sale prices on the 20 regular trading days immediately preceding the date of any binding agreement to purchase shares of Voting Stock of the class of Voting Stock in question on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such class of Voting Stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such class of Voting Stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such class of Voting Stock is listed, or, if such class of Voting Stock is not listed on any such exchange, the last closing bid quotations with respect to a share of such class of Voting Stock immediately preceding the time in question on the National Association of Securities Dealers, Inc., Automated Quotations System or any system then in use (or any other system of reporting or ascertaining quotations then available), or if such class of Voting Stock is not so quoted, the fair market value at the time in question of such stock as determined by the Board of Directors in good faith.

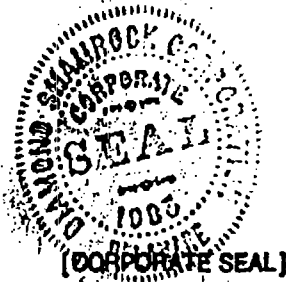
**SECTION 4. Powers of the Board of Directors.** A majority of the Disinterested Directors, or, if there are no Disinterested Directors, a majority of the members of the Board of Directors then in office, shall have the power to determine, for the purposes of this Article Ninth, on the basis of information known to them, (a) whether a person is an Interested Stockholder, (b) the number of shares of Voting Stock beneficially owned by any person, (c) whether a person is an Affiliate or Associate of another, and (d) whether the assets or financial obligations or benefits which are the subject of any Self-Dealing Transaction have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Self-Dealing Transaction has, an aggregate fair market value of or involve \$25,000,000 or more. A majority of the Disinterested Directors, or, if there are no Disinterested Directors, a majority of the members of the Board of Directors then in office, shall have the further power to interpret all of the terms and provisions of this Article Ninth.

**SECTION 5. Amendment, Repeal, etc.** Notwithstanding anything contained in this Certificate of Incorporation or the By-Laws of the Corporation to the contrary, the alteration, change, amendment, repeal or adoption of any provisions inconsistent with this Article Ninth shall require the affirmative vote of the holders of a majority of the combined voting power of the outstanding Voting Stock, excluding any votes cast with respect to shares of Voting Stock beneficially owned by any Interested Stockholder, voting together as a single class, but in no event less than the affirmative vote of 80% of combined voting power of the outstanding shares of Voting Stock, including shares of Voting Stock beneficially owned by any Interested Stockholder, voting together as a single class.

**TENTH.** The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, including in a Preferred Stock Designation, in the manner now or hereafter prescribed by applicable law and this Certificate of Incorporation, including any applicable Preferred Stock Designation, and all rights conferred upon stockholders herein are created subject to this reservation.



IN WITNESS WHEREOF, this Restated Certificate of Incorporation, which restates and integrates and does not further amend the provisions of the Corporation's Certificate of Incorporation, as heretofore amended or supplemented, there being no discrepancies between those provisions and the provisions of this Restated Certificate of Incorporation, and having been duly adopted by the Board of Directors of the Corporation in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware, has been executed on the 20th day of May, 1985.



ATTEST:

By: T. J. Frithold  
T. J. Frithold, Secretary

DIAMOND SHAMROCK CORPORATION

By: J. F. Kelley  
J. F. Kelley, Vice President

877286053

RESTATED  
CERTIFICATE OF INCORPORATION  
OF

FILED

OCT 13 1987

12:10PM

MAXUS ENERGY CORPORATION  
(Originally incorporated under the name of  
New Diamond Corporation on July 19, 1983)

  
SECRETARY OF STATE

**FIRST.** The name of the Corporation (the "Corporation") is Maxus Energy Corporation.

**SECOND.** The registered office of the Corporation in the State of Delaware is located at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

**THIRD.** The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

**FOURTH.** The Corporation is authorized to issue two classes of capital stock, designated Common Stock and Preferred Stock. The amount of total authorized capital stock of the Corporation is 400,000,000 shares, divided into 300,000,000 shares of Common Stock, \$1.00 par value, and 100,000,000 shares of Preferred Stock, \$1.00 par value.

The Preferred Stock may be issued in one or more series. The Board of Directors is hereby authorized to issue the shares of Preferred Stock in such series and to fix from time to time before issuance the number of shares to be included in any series and the designation, relative powers, preferences and rights and qualifications, limitations or restrictions of all shares of such series. The authority of the Board of Directors with respect to each series shall include, without limiting the generality of the foregoing, the determination of any or all of the following:

- (a) the number of shares of any series and the designation to distinguish the shares of such series from the shares of all other series;
- (b) the voting powers, if any, and whether such voting powers are full or limited, in such series;
- (c) the redemption provisions, if any, applicable to such series, including the redemption price or prices to be paid;
- (d) whether dividends, if any, shall be cumulative or noncumulative, the dividend rate of such series, and the dates and preferences of dividends on such series;
- (e) the rights of such series upon the voluntary or involuntary dissolution of, or upon any distribution of the assets of, the Corporation;
- (f) the provisions, if any, pursuant to which the shares of such series are convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock, or any other security, of the Corporation or any other corporation, and price or prices or the rates of exchange applicable thereto;
- (g) the right, if any, to subscribe for or to purchase any securities of the Corporation or any other corporation;
- (h) the provisions, if any, of a sinking fund applicable to such series; and
- (i) any other relative, participating, optional or other special powers, preferences, rights, qualifications, limitations or restrictions thereof;

all as shall be determined from time to time by the Board of Directors and shall be stated in said resolution or resolutions providing for the issuance of such Preferred Stock (a "Preferred Stock Designation").

#### **\$4.00 Cumulative Convertible Preferred Stock**

The following is a statement of the powers, preferences, rights, qualifications, limitations and restrictions of the Series, consisting of 4,565,017 shares, \$1.00 par value, of the \$4.00 Cumulative Convertible Preferred Stock.

(A) *Number of Shares.* The number of shares which shall constitute this Series shall be 4,565,017, which number may be increased or decreased (but not below the number outstanding) from time to time by the Board of Directors of the Corporation.

(B) *Dividend Rate; Cumulative Date.* The annual dividend rate payable on this Series shall be \$4.00 per share, cumulative to the extent not paid from September 15, 1983, and in each case payable quarterly on March 15, June 15, September 15 and December 15 in each year, commencing December 15, 1983.

(C) *Redemption.* The Corporation may, at the option of the Board of Directors, redeem the whole or any part of the then-outstanding shares of this Series, at any time or from time to time, upon notice duly given as hereinafter specified, at the following prices per share if redeemed during the 12-month period beginning December 15 of the year indicated:

1982.....	\$53.20	1986.....	\$51.60
1983.....	52.80	1987.....	51.20
1984.....	52.40	1988.....	50.80
1985.....	52.00	1989.....	50.40

and thereafter at \$50.00 per share, together in each case with a sum, for each share so redeemed, computed at the rate of \$4.00 per annum from and after the last regular quarterly payment date applicable to \$4.00 Series C Cumulative Convertible Preferred Shares of Natomaa Company, irrespective of whether such date precedes or follows the date of issuance of this Series, on which the quarterly dividend was paid in full (the "Accrual Date"), to and including such date fixed for redemption, less the aggregate of the dividends theretofore and on such redemption date paid on such Series, but computed without interest; provided that unless provision has been made for payment in full of dividends on all shares of outstanding Preferred Stock of the Corporation for all past dividend periods and the current period, no sum shall be set aside for the redemption of any shares of this Series nor shall any shares of this Series be purchased or otherwise acquired by the Corporation.

(D) *Notice of Redemption.* Notice of redemption of shares of this Series, as described in division (C) hereof, shall be given as follows:

(1) Notice of every such redemption of shares of this Series shall be given by publication at least once a week in each of two successive weeks in a newspaper printed in the English language and customarily published on each business day and of general circulation in the city in which the Corporation maintains its principal executive offices and in the Borough of Manhattan, The City of New York, commencing at least 20 but not more than 60 days prior to the date fixed for such redemption. Notice of every such redemption shall also be mailed at least 20 but not more than 60 days prior to the date fixed for such redemption to the holders of record of the shares so to be redeemed at their respective addresses as the same shall appear on the books of the Corporation, but no failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares so to be redeemed.

(2) In case of redemption of a part only of this Series at the time outstanding, the redemption may be either pro rata or by lot. The Board of Directors shall prescribe the manner in which the drawings by lot or the pro rata redemption shall be conducted and, subject to the provisions herein and in the Certificate of Incorporation contained, the terms and conditions upon which the shares of this Series shall be redeemed from time to time.

(3) If such notice of redemption shall have been duly given by publication or if the Corporation shall have given to the bank or trust company designated by the Corporation pursuant to this subdivision (3) irrevocable authorization promptly to give or to complete such notice of publication, and if on or before the redemption date specified therein the funds necessary for such redemption shall have been deposited by the Corporation, in trust for the pro rata benefit of the holders of the shares so called for redemption, with a bank or trust company in good standing, designated in such notice, organized under the laws of the United States of America or of the State of New York, doing business in the Borough of Manhattan, The City of New York, having a capital, surplus and undivided profits aggregating at least \$5,000,000 according to its last published statement of condition, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, from and after the time of such deposit, all shares so called for redemption shall no longer be deemed to be outstanding and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive from such deposit the funds so deposited, without interest, and the right to exercise on or before the close of business on the date fixed for redemption, privileges of exchange or conversion, if any, not theretofore expiring. Any interest accrued on such funds shall be paid to the Corporation from time to time.

(4) Any funds so set aside or deposited by the Corporation which shall not be required for such redemption because of the exercise of any right of conversion or exchange subsequent to the date of such deposit shall be released or repaid to the Corporation. Any funds so set aside or deposited, as the case may be, and unclaimed at the end of six years from such redemption date shall be released or repaid to the Corporation, after which the holders of the shares so called for redemption shall look only to the Corporation for payment thereof.

(5) In connection with any redemption of shares of this Series, the Corporation may arrange for the purchase and conversion of any shares of this Series by an agreement with one or more investment banking firms or other purchasers to purchase such shares by paying to or for the account of the holders thereof on or before the close of business on the date fixed for such redemption an amount not less than the redemption price (plus accrued and unpaid dividends) payable by the Corporation on redemption of such shares. Any shares of this Series tendered by the holders thereof for redemption or not duly surrendered for conversion or deemed converted by the holders thereof prior to the close of business on the date fixed for redemption shall be deemed acquired by such purchasers from such holders immediately prior to the close of business on the date fixed for such redemption and surrendered by such purchasers for conversion pursuant to such agreement, subject to payment of the amount indicated above. Such amount shall be deposited, in trust for the pro rata benefit of the holders of shares of this Series entitled thereto, with a bank or trust company described in subdivision (3) of this division, and such deposit shall in all respects be treated as though made by the Corporation pursuant thereto.

(6) If the Market Value of the Conversion Unit (as hereinafter defined) on the date fixed for the redemption of shares of this Series is at least equal to 120% of the amount payable in respect of each share of this Series upon such redemption in accordance with division (C) hereof, then shares of this Series not duly surrendered for conversion by the holders thereof prior to the close of business on the date fixed for redemption shall nevertheless be deemed to be converted by such holders into shares of Common Stock pursuant to division (H) hereof immediately prior to such time; provided, however, that no certificates for Common Stock issuable upon such conversion shall be issued to any holder of shares of this Series so converted or dividends paid or other distributions made on the Common Stock so issued to such holder unless and until such holder shall surrender to the Corporation the certificates for the shares of this Series so converted. Upon such surrender, there shall be paid to the holder of such certificates the aggregate amount of dividends and other distributions that but for the provisions hereof would have been paid by the Corporation with respect to the Common Stock issued on such conversion, but without interest thereon. Until certificates representing shares of this Series have been so surrendered such certificates shall be deemed for all corporate

purposes, other than the payment of dividends or distributions, to evidence ownership of the Common Stock issued upon conversion of such shares. For purposes of this subdivision (6), the "Conversion Unit" at any time shall be deemed to be the number of shares of Common Stock into which each share of this Series then may be converted, as provided in division (H) hereof, and the "Market Value of the Conversion Unit" on any date fixed for the redemption of shares of this Series shall be deemed to be the amount determined by multiplying (i) the Conversion Unit on such date by (ii) the closing price per share of Common Stock on such date, determined as provided in subdivision (3) of division (H) hereof.

(E) *Liquidation.* The amount which shall be paid to the holders of shares of this Series in the event of any voluntary or involuntary total liquidation, dissolution or winding up of the Corporation shall be \$50.00 per share on each outstanding share of this Series, plus in respect of each share of this Series a sum computed at the rate of \$4.00 per annum from and after the Accrual Date, to and including the date fixed for such payment, less the aggregate of dividends theretofore paid thereon, but computed without interest.

(F) *Ratable Treatment.* In the event that the amounts payable in accordance with division (E) hereof are not paid in full, each share of this Series shall, together with outstanding shares of all other series of Preferred Stock of the Corporation, share ratably, without priority of one series over the other, in the payment of dividends, including accumulations, if any, in the proportion that the amount of dividends, including accumulations, if any, then payable on each share bears to the aggregate of such amounts then payable on all Preferred Stock of the Corporation and in any distribution of assets other than by way of dividends in the proportion that the sum payable on each share bears to the aggregate of the amounts so payable on all shares of Preferred Stock of the Corporation.

(G) *Limitation on Dividends.* So long as any of the shares of this Series shall remain outstanding, no dividend whatever shall be paid or declared, and no distribution made, on any junior shares, other than a dividend payable solely in junior shares, nor shall any junior shares be acquired for a consideration by the Corporation or by any company a majority of the voting shares of which is owned by the Corporation, unless all dividends on the shares of this Series accrued for all past quarterly dividend periods shall have been paid and the full dividends thereon for the then current quarterly dividend period shall have been paid or declared and duly provided for.

(H) *Conversion Rights.* The terms upon which the holders of shares of this Series may convert the same into shares of any other class or classes are as follows:

(1) Subject to the provisions for adjustment hereinafter set forth and to the provisions of the division (D) hereof, each of the shares of this Series shall be convertible, at the option of the holder, upon surrender to any Transfer Agent for such shares or to the Corporation if no such Transfer Agent exists, of the certificate for the share to be converted, into 1.2280 fully paid and non-assessable shares of Common Stock of the Corporation. The right to convert shares of this Series called for redemption shall terminate at the close of business on the date fixed for redemption, unless the Corporation shall default in the payment of the redemption price determined as provided in division (C) hereof; upon conversion of any shares of this Series, no allowance or adjustment shall be made for dividends on either class of shares, but nothing in this subdivision shall relieve the Corporation from its obligation to pay any dividends which shall have been declared and shall be payable to holders of shares of this Series of record as of a date prior to such conversion even though the payment date for such dividend is subsequent to the date of conversion.

(2) The number of shares of Common Stock into which each of the shares of this Series is convertible shall be subject to adjustment from time to time as follows:

(i) In case the Corporation shall (a) pay a dividend on its Common Stock in shares of the Corporation, (b) subdivide its outstanding Common Stock, (c) combine its outstanding Common Stock into a smaller number of shares, or (d) issue by reclassification of its Common Stock (whether pursuant to a merger or consolidation or otherwise) any

shares of the Corporation, then each holder of a share of this Series shall be entitled to receive upon the conversion of such share, the number of shares of the Corporation which he would have owned or have been entitled to receive after the happening of any of the events described above had such share been converted immediately prior to the happening of such event. Such adjustment shall be made whenever any of the events listed above shall occur. An adjustment made pursuant to this subdivision shall become effective retroactively with respect to conversions made subsequent to the record date in the case of a stock dividend, and shall become effective on the effective date in the case of a subdivision, combination or reclassification.

(ii) In case the Corporation shall issue rights or warrants to the holders of its Common Stock as such entitling them to subscribe for or purchase Common Stock, at a price per share less than the current market price per share of Common Stock (as defined in subdivision (3) below) on the record date for determination of stockholders entitled to receive such rights or warrants, then in each such case the number of shares of Common Stock into which each share of this Series shall thereafter be convertible shall be determined by multiplying the number of shares of Common Stock into which such share of this Series was theretofore convertible by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such current market price. For the purposes of this subdivision, the issuance of rights or warrants to subscribe for or purchase shares or securities convertible into shares of Common Stock shall be deemed to be the issuance of rights or warrants to purchase the shares of Common Stock into which such shares or securities are convertible at an aggregate offering price equal to the aggregate offering price of such shares or securities plus the minimum aggregate amount (if any) payable upon conversion of such shares or securities into shares of Common Stock. Such adjustment shall be made whenever any such rights or warrants are issued, and shall become effective retroactively with respect to conversions made subsequent to the record date for the determination of stockholders entitled to receive such rights or warrants.

(iii) In case the Corporation shall distribute to holders of its Common Stock (whether pursuant to a merger or consolidation or otherwise) evidences of its indebtedness or assets (excluding cash distributions after August 31, 1983 not exceeding the aggregate net earnings of the Corporation and its subsidiaries on a consolidated basis after such date less dividends paid after such date on shares other than shares of Common Stock, all determined in accordance with generally accepted accounting principles) or rights to subscribe (excluding those referred to in paragraph (ii) above) then in each such case the number of shares of Common Stock into which each share of this Series shall thereafter be convertible shall be determined by multiplying the number of shares of Common Stock into which such share of this Series was therefore convertible by a fraction of which the numerator shall be the current market price per share of the Common Stock (as defined in subdivision (3) below) on the record date for determination of stockholders entitled to receive such distribution, and of which the denominator shall be such current market price per share of the Common Stock less the fair value (as determined by the Board of Directors of the Corporation, whose determination shall be conclusive, and described in a statement filed with each Transfer Agent for the shares of this Series) of the portion of the assets or evidences of indebtedness so distributed or of such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made, and shall become effective retroactively with respect to conversions made subsequent to the record date for the determination of stockholders entitled to receive such distribution.

(3) For the purposes of any computation under subdivision (2) above, the current market price per share of Common Stock on any date shall be deemed to be the average of the daily closing prices for the 30 consecutive full business days commencing 45 full business days before the day in question. The closing price for each day shall be the last sales price regular way or, in case no sale takes place on such day, the average of the closing bid and asked prices regular way. In either case (i) as officially quoted by the New York Stock Exchange Composite Tape or (ii) if, in the reasonable judgment of the Board of Directors of the Corporation, the New York Stock Exchange, Inc. is no longer the principal United States market for the Common Stock, then as quoted on the principal United States stock exchange or market for the Common Stock as determined by the Board of Directors of the Corporation, or (iii) if, in the reasonable judgment of the Board of Directors of the Corporation there exists no principal United States stock exchange or market for the Common Stock, then as reasonably determined by the Board of Directors of the Corporation.

(4) No adjustment in the conversion rate shall be required unless such adjustment (plus any adjustments not previously made by reason of this subdivision (4)) would require an increase or decrease of at least 1% in the number of shares of Common Stock into which each share of this Series is then convertible; provided, however, that any adjustments which by reason of this subdivision (4) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under division (H) shall be made to the nearest one-hundred thousandth of a share.

(5) Whenever any adjustment is required in the shares into which shares of this Series is convertible, the Corporation shall forthwith (i) file with each Transfer Agent for this Series a statement describing in reasonable detail the adjustment and the method of calculation used, and (ii) cause a copy of such statement to be mailed to the holders of record of the shares of this Series as of the effective date of such adjustment.

(6) No fractional shares or scrip representing fractional shares shall be issued upon the conversion of shares of this Series. If any such conversion would otherwise require the issuance of a fractional share, an amount equal to such fraction multiplied by the closing price (determined as provided in subdivision (3) above) of the shares of Common Stock on the day of conversion shall be paid to the holder in cash by the Corporation.

(7) The certificate of any independent firm of public accountants of recognized standing selected by the Board of Directors shall be evidence of the correctness of any computation made under this division (H).

(8) All shares of this Series redeemed, purchased or otherwise acquired by the Corporation or surrendered to it for conversion into Common Stock as provided above shall be cancelled and thereupon restored to the status of authorized but unissued Preferred Stock undesignated as to series.

(9) The Corporation shall be entitled to make such increases in the conversion rate, in addition to those required by this division (H), as shall be determined by the Board of Directors, as evidenced by a resolution thereof, which are advisable in order to avoid taxation so far as practicable of any dividend of shares or rights to shares, or any event treated as such a dividend to the recipients for federal income tax purposes.

(10) The shares of this Series shall be deemed to have been converted and the person converting the same to have become the holder of record of shares of Common Stock, for the purpose of receiving dividends and for all other purposes whatever, as of the date when a certificate or certificates for such shares of this Series are surrendered to the Corporation as aforesaid. The Corporation shall not be required to make any such conversion, and no surrender of the shares of this Series shall be effective for such purpose, while the books for the transfer of either the shares of Common Stock or of this Series are closed for any purpose, but the surrender of such shares of this Series for conversion during any period while such books

are closed shall become effective for all purposes of conversion immediately upon the reopening of such books, as if the conversion had been made on the date such shares of this Series were surrendered.

(11) The Corporation shall at all times reserve and keep available out of its authorized Common Stock the full number of shares into which all shares of this Series from time to time outstanding are convertible. If at any time the number of authorized and unissued shares of Common Stock shall not be sufficient to effect the conversion of all outstanding shares of this Series at the conversion rate then in effect, the Corporation shall take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized and unissued Common Stock to such number as shall be sufficient for such purpose.

(I) *Voting Rights.* Except as may otherwise be provided by law or in this division (I), the holders of the shares of this Series shall be entitled to vote at a rate of one vote per share as a class with the holders of all other shares of capital stock of the Corporation then entitled to vote, and not as a separate class, on a non-cumulative basis for election of directors and upon all other matters which may be submitted to a vote of holders of the Corporation's Common Stock at any annual or special meeting thereof.

In addition to the voting rights in respect of the election of directors set forth in the preceding paragraph, the shares of this Series shall have the voting rights set forth below:

(1) So long as any of the shares of this Series are outstanding, the consent of the holders of at least a majority of the then-outstanding shares of this Series, given in person or by proxy at any special or annual meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following:

(I) Any increase in the authorized amount of Preferred Stock or the authorization, or any increase in the authorized amount, of any class of shares of the Corporation ranking on a parity with the Preferred Stock.

(II) The sale, lease or conveyance (other than by mortgage) of all or substantially all of the property or business of the Corporation or the consolidation or merger of the Corporation into any other corporation, unless the corporation resulting from such merger or consolidation shall have thereafter no class of shares, either authorized or outstanding, ranking prior to or on a parity with shares corresponding to the shares of Preferred Stock, except the same number of shares with no greater rights and preferences than the shares of Preferred Stock authorized immediately preceding such consolidation or merger and unless each holder of shares of Preferred Stock immediately preceding such consolidation or merger shall receive the same number of shares, with substantially the same rights and preferences, of the resulting corporation; provided, however, that the resulting corporation may have authorized and outstanding such additional shares having preferences or priorities over or being on a parity with the shares of Preferred Stock as the holders of Preferred Stock of the Corporation may have previously authorized pursuant to the Certificate of Incorporation; and provided, further, that this requirement of consent by the holders of shares of Preferred Stock shall not be deemed to apply to or operate to prevent either the purchase by the Corporation of the assets or shares, in whole or in part, of any other corporation, or the sale by the Corporation or any subsidiary of all or part of the capital shares or assets of other corporations, including a subsidiary, or the sale of a division or divisions of the Corporation or of any subsidiary, or any other sale of property or assets which constitutes less than substantially all of the property or assets of the Corporation.

(2) So long as any of the shares of this Series are outstanding, the consent of the holders of at least 66% of the then-outstanding shares of this Series given in person or by proxy, at any special or annual meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following:



(I) The authorization, or any increase in the authorized amount, of any class of shares of the Corporation ranking prior to the shares of Preferred Stock.

(II) The amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation, or the amendment, alteration, repeal or adoption of any resolution contained in a certificate of designation filed pursuant to Section 151 of the General Corporation Law of the State of Delaware in the office of the Secretary of State of the State of Delaware, which would affect adversely any right, preference, privilege or voting power of the shares of this Series or shares of any other series of Preferred Stock or the holders thereof.

(3) Without limiting the rights, if any, of holders of any other series of Preferred Stock, in case the Corporation shall be in arrears in the payment of six quarterly dividends, whether or not successive, on the outstanding shares of this Series or any other outstanding series of Preferred Stock, the holders of shares of this Series voting separately as a class and in addition to their other voting rights shall have the exclusive right to elect two additional directors beyond the number to be elected by all stockholders at the next annual meeting of stockholders called for the election of directors, and at every subsequent such meeting at which the terms of office of the directors so elected by the holders of shares of this Series expire, provided such arrearage exists on the date of such meeting or subsequent meetings, as the case may be. The right of the holders of shares of this Series voting separately as a class to elect two members of the Board of Directors of the Corporation as aforesaid shall continue until such time as all dividends accumulated on all shares of Preferred Stock shall have been paid in full and provision has been made for the payment in full of the dividends for the current quarter, at which time the special right of the holders of shares of this Series so to vote separately as a class for the election of Directors shall terminate, subject to re-vesting at such time as the Corporation shall be in arrears in the payment of six quarterly dividends, whether or not successive, on the outstanding shares of this Series or any other outstanding series of Preferred Stock. If the annual meeting of stockholders of the Corporation is not, for any reason, held on the date fixed in the By-Laws at a time when the holders of shares of this Series, voting separately and as a class, shall be entitled to elect directors, or if vacancies shall exist in both of the two offices of directors elected by the holders of shares of this Series, the Chairman of the Board of the Corporation shall, upon the written request of the holders of record of at least 10% of the shares of this Series then outstanding addressed to the Secretary of the Corporation, call a special meeting in lieu of the annual meeting of stockholders, or, in the event of such vacancies, a special meeting of the holders of shares of this Series, for the purpose of electing directors. Any such meeting shall be held at the earliest practicable date at the place for the holding of the annual meeting of stockholders or as otherwise determined pursuant to the By-Laws. If such meeting shall not be called by the Chairman of the Board of the Corporation within 20 days after personal service of said written request upon the Secretary of the Corporation, or within 20 days after mailing the same within the United States by certified mail, addressed to the Secretary of the Corporation at its principal executive offices, then the holders of record of at least 10% of the outstanding shares of this Series may designate in writing one of their number to call such meeting at the expense of the Corporation, and such meeting may be called by the person so designated upon the notice required for the annual meeting of stockholders of the Corporation and shall be held at the place for holding the annual meetings of stockholders or as otherwise determined pursuant to the By-Laws. Any holder of shares of this Series so designated shall have access to the lists of stockholders to be called pursuant to the provisions hereof.

At any meeting held for the purpose of electing directors at which the holders of shares of this Series shall have the right to elect directors as aforesaid, the presence in person or by proxy of the holders of at least 33 1/3% of the outstanding shares of this Series shall be required to constitute a quorum of such shares of this Series.

In the event any meeting of the holders of shares of this Series shall be held for the purpose of electing directors pursuant to this subdivision (3), nothing contained herein shall preclude the Corporation from simultaneously calling and holding a meeting of any other class or series of capital stock of the Corporation which may have voting rights to elect directors.

Any vacancy occurring in the office of director elected by the holders of shares of this Series may be filled by the remaining director elected by the holders of the shares of such class, unless and until such vacancy shall be filled by the holders of the shares of such class. Any director to be elected by the holders of shares of this Series shall agree, prior to his election to office, to resign upon any termination of the right of the holders of shares of this Series to vote as a class for directors as herein provided, and upon any such termination the directors then in office elected by the holders of shares of this Series shall forthwith resign.

(J) *Certain Taxes.* The Corporation shall pay any and all taxes which may be imposed upon it with respect to the issuance and delivery of shares of Common Stock upon the conversion of the shares of this Series as herein provided. The Corporation shall not be required in any event to pay any transfer or other taxes by reason of the issuance of such shares of Common Stock in names other than those in which the shares of this Series surrendered for conversion may stand, and no such conversion or issuance of shares of Common Stock shall be made unless and until the person requesting such issuance has paid to the Corporation the amount of any such tax or has established to the satisfaction of the Corporation and its transfer agent, if any, that such tax has been paid.

(K) *No Sinking Fund.* No sinking fund shall be provided for the purchase or redemption of the shares of this Series.

(L) *No Preemptive Rights.* The holders of shares of this Series are not entitled to any preemptive or other rights to subscribe for or to purchase any shares or securities of any class which may at any time be issued, sold or offered for sale by the Corporation.

(M) *Rank.* All shares of Preferred Stock, including this Series, shall be of equal rank with each other regardless of series, and shall be identical with each other except as provided in the Certificate of Incorporation or in a certificate of designation filed pursuant to Section 151 of the General Corporation Law of the State of Delaware with the Secretary of State of the State of Delaware.

Each holder of Common Stock of the Corporation entitled to vote shall have one vote for each share thereof held except in the case of any election of Directors as provided in Section 4 of Article Eighth.

Except as may be provided in this Certificate of Incorporation or by the Board of Directors in a Preferred Stock Designation, the Common Stock shall have the exclusive right to vote for the election of Directors and for all other purposes, and holders of Preferred Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote or consent.

The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes, and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable laws.

#### **\$9.75 Cumulative Convertible Preferred Stock**

The following is a statement of the powers, preferences, rights, qualifications, limitations and restrictions of the Series, consisting of 3,000,000 shares, \$1.00 par value, of the \$9.75 Cumulative Convertible Preferred Stock.

**SECTION 1. Designation and Amount.** The shares of such series shall be designated as the "\$9.75 Cumulative Convertible Preferred Stock" (the "\$9.75 Preferred Stock") and the number of shares constituting such series shall be 3,000,000, which number may be decreased (but not increased) by the Board of Directors without a vote of stockholders; *provided, however,* that such number may not be decreased below the number of then currently outstanding shares of \$9.75 Preferred Stock.

## SECTION 2. *Dividends and Distributions.*

(a) The holders of shares of \$9.75 Preferred Stock, in preference to the holders of shares of the Common Stock, \$1.00 par value (the "Common Stock"), of the Corporation and of any other capital stock of the Corporation ranking junior to the \$9.75 Preferred Stock as to payment of dividends, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, cumulative cash dividends at the annual rate of \$9.75 per share, and no more (except as otherwise provided in paragraph (b) of this Section 2), in equal quarterly payments on the fifteenth day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date which is at least 10 days after the date of original issue of the \$9.75 Preferred Stock.

(b) If the ratio (expressed as a percentage) of Consolidated Funded Debt (as defined in Section 10 hereof) to Gross Tangible Worth (as defined in Section 10 hereof) of the Corporation and its Subsidiaries (as defined in Section 10 hereof) or of any successor Person to the Corporation and its Subsidiaries or of any Person of which the Corporation is a Subsidiary and the Subsidiaries of such Person (the "Reporting Entity"), computed as if all such Persons and the Corporation were consolidated pursuant to generally accepted accounting principles, exceeds 60% as of the last day of the calendar quarter for two or more consecutive calendar quarters, then retroactively effective for the Quarterly Dividend Payment Date in the first calendar quarter in which such ratio exceeds 60%, the holders of shares of \$9.75 Preferred Stock, in preference to the holders of shares of Common Stock and of any other capital stock of the Corporation ranking junior to the \$9.75 Preferred Stock as to payment of dividends, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, cumulative cash dividends at the annual rate of \$10.75 per share (rather than at the annual rate of \$9.75 per share as provided in paragraph (a) of this Section 2), and no more, in equal quarterly payments on each Quarterly Dividend Payment Date until such ratio is 60% or less as of the last day of the calendar quarter for four consecutive calendar quarters. After such period, the holders of shares of \$9.75 Preferred Stock will be entitled to receive dividends at the annual rate of \$9.75 per share as provided in paragraph (a) of this Section 2 until such ratio again exceeds 60% as of the last day of the calendar quarter for two or more consecutive calendar quarters.

(c) Dividends payable pursuant to paragraph (a) or (b) of this Section 2 shall begin to accrue and be cumulative from the date of original issue of the \$9.75 Preferred Stock. The amount of dividends so payable shall be determined on the basis of twelve 30-day months and a 360-day year. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of \$9.75 Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of \$9.75 Preferred Stock entitled to receive payment of a dividend declared thereon, which record date shall be no more than sixty days prior to the date fixed for the payment thereof.

SECTION 3. *Voting Rights.* The holders of shares of \$9.75 Preferred Stock shall have the following voting rights:

(a) So long as more than 750,000 shares of \$9.75 Preferred Stock are issued and outstanding, the holders of the outstanding shares of \$9.75 Preferred Stock, voting separately as a single series, in person or by proxy, shall be entitled to elect one or more directors of the Corporation, in the number and manner specified in this paragraph (a) and, subject to the provisions of the Restated Certificate of Incorporation of the Corporation and of any other Certificate of Designations, Preferences and Rights relating to any other class or series of capital stock of the Corporation having a preference over the Common Stock as to dividends or upon

liquidation, the holders of shares of Common Stock and of any such other class or series of capital stock of the Corporation, voting together as a class, shall be entitled to elect the remaining directors of the Corporation; *provided, however*, that until such time as any waiting period with respect to any acquisition of shares of \$9.75 Preferred Stock required to expire under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, including any extensions thereof, shall have expired or been terminated, the holders of shares of \$9.75 Preferred Stock acquired in such acquisition shall not have the right to vote for the election of directors. So long as the number of shares of \$9.75 Preferred Stock specified in this sentence are issued and outstanding, the number of directors of the Corporation which the holders of shares of \$9.75 Preferred Stock, voting separately as a single series, shall be entitled to elect shall be the following:

<u>Number of Shares</u>	<u>Number of Directors</u>
2,250,000 or more .....	3
1,500,000 or more but less than 2,250,000 .....	2
750,001 or more but less than 1,500,000 .....	1

(b) So long as more than 300,000 shares of \$9.75 Preferred Stock are issued and outstanding, the affirmative vote of the holders of at least a majority of the outstanding shares of \$9.75 Preferred Stock, voting separately as a single series, in person or by proxy, at a special or annual meeting of stockholders called for the purpose, shall be necessary to authorize any transaction defined as a "Self-Dealing Transaction" in Section 3 of Article NINTH of the Restated Certificate of Incorporation of the Corporation, as in effect on February 1, 1987.

(c) The affirmative vote of the holders of at least 66⅔% of the outstanding shares of \$9.75 Preferred Stock, voting separately as a single series, in person or by proxy, at a special or annual meeting of stockholders called for the purpose, shall be necessary to (i) authorize, or to increase the authorized number of shares of, or to issue, any class or series of the Corporation's capital stock ranking prior (either as to dividends or upon liquidation, dissolution or winding up) to the \$9.75 Preferred Stock or (ii) amend, repeal or change any of the provisions of the Restated Certificate of Incorporation of the Corporation or the provisions of the Certificate of Designations, Preferences and Rights of \$9.75 Cumulative Convertible Preferred Stock which embodies this resolution, in any manner which would alter or change the powers, preferences or special rights of the shares of \$9.75 Preferred Stock so as to affect them adversely.

(d) The foregoing rights of holders of shares of \$9.75 Preferred Stock to take any actions as provided in this Section 3 may be exercised at any annual meeting of stockholders or at a special meeting of stockholders held for such purpose. At each meeting of stockholders at which the holders of shares of \$9.75 Preferred Stock shall have the right, voting separately as a single series, to elect directors of the Corporation as provided in this Section 3 or to take any other action, the presence in person or by proxy of the holders of record of one-third of the total number of shares of \$9.75 Preferred Stock then outstanding and entitled to vote on the matter shall be necessary and sufficient to constitute a quorum. At any such meeting or at any adjournment thereof,

(i) the absence of a quorum of the holders of shares of \$9.75 Preferred Stock shall not prevent the election of directors other than those to be elected by the holders of shares of \$9.75 Preferred Stock and the absence of a quorum of the holders of shares of any other class or series of capital stock shall not prevent the election of directors to be elected by the holders of shares of \$9.75 Preferred Stock or the taking of any other action as provided in this Section 3; and

(ii) in the absence of a quorum of the holders of shares of \$9.75 Preferred Stock, a majority of the holders of such shares present in person or by proxy shall have the power to adjourn the meeting as to the actions to be taken by the holders of shares of \$9.75

Preferred Stock from time to time and place to place without notice other than announcement at the meeting until a quorum shall be present.

For the taking of any action as provided in this Section 3 by the holders of shares of \$9.75 Preferred Stock, each such holder shall have one vote for each share of such stock standing in his name on the transfer books of the Corporation as of any record date fixed for such purpose or, if no such date be fixed, at the close of business on the Business Day (as defined in Section 10 hereof) next preceding the day on which notice is given, or if notice is waived, at the close of business on the Business Day next preceding the day on which the meeting is held.

Each director elected by the holders of shares of \$9.75 Preferred Stock as provided in paragraph (a) of this Section 3 shall, unless his term shall expire earlier, hold office until the annual meeting of stockholders next succeeding his election or until his successor, if any, is elected and qualified.

In case any vacancy shall occur among the directors elected by the holders of shares of \$9.75 Preferred Stock as provided in paragraph (a) of this Section 3, such vacancy may be filled for the unexpired portion of the term by vote of the remaining directors or director theretofore elected by such holders, or such directors' or director's successors in office. If any such vacancy is not so filled within 20 days after the creation thereof, the Chairman of the Board of the Corporation shall call a special meeting of the holders of shares of \$9.75 Preferred Stock to be held as promptly as practicable and such vacancy or vacancies shall be filled at such special meeting.

Any director elected by the holders of shares of \$9.75 Preferred Stock may be removed from office by vote of the holders of at least a majority of the outstanding shares of \$9.75 Preferred Stock. A special meeting of the holders of shares of \$9.75 Preferred Stock may be called by a majority vote of the Board of Directors for the purpose of removing a director in accordance with the provisions of this paragraph (d). The Chairman of the Board of the Corporation shall, in any event, within 10 days after delivery to the Corporation at its principal office of a request to call such a special meeting signed by the holders of at least 20% of the outstanding shares of \$9.75 Preferred Stock, call a special meeting for such purpose to be held as promptly as practicable after the delivery of such request.

If the Corporation shall not set a date for an annual meeting to elect directors within thirteen months of the previous annual meeting, then within 10 days after delivery to the Corporation at its principal office of a request to call such an annual meeting signed by the holders of at least 20% of the outstanding shares of \$9.75 Preferred Stock, the Chairman of the Board of the Corporation shall call an annual meeting to be held as promptly as practicable after the delivery of such request.

(e) Except as provided herein or in the Restated Certificate of Incorporation of the Corporation, or as required by law, the holders of shares of \$9.75 Preferred Stock shall have no voting rights and their consent shall not be required for the taking of any corporate action.

#### SECTION 4. *Certain Restrictions.*

(a) Whenever quarterly dividends payable on shares of \$9.75 Preferred Stock as provided in Section 2 hereof are in arrears, thereafter and until all accrued and unpaid dividends, whether or not declared, on the outstanding shares of \$9.75 Preferred Stock shall have been paid in full or declared and set apart for payment, or whenever the Corporation shall not have redeemed shares of \$9.75 Preferred Stock at a time required by paragraph (b) of Section 5 hereof, thereafter and until all mandatory redemption obligations which have come due shall have been satisfied or all necessary funds have been set apart for payment, the Corporation shall not: (1) declare or pay dividends, or make any other distributions, on any shares of capital stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the \$9.75

Preferred Stock, other than dividends or distributions payable in capital stock ranking junior (as to dividends and upon liquidation, dissolution or winding up) to the \$9.75 Preferred Stock; or (ii) declare or pay dividends, or make any other distributions, on any shares of capital stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the \$9.75 Preferred Stock, other than dividends or distributions payable in capital stock ranking junior (as to dividends and upon liquidation, dissolution or winding up) to the \$9.75 Preferred Stock, except dividends paid ratably on the \$9.75 Preferred Stock and all capital stock ranking on a parity with the \$9.75 Preferred Stock and on which dividends are payable or in arrears, in proportion to the total amounts to which the holders of all such shares are then entitled.

(b) Whenever quarterly dividends payable on shares of \$9.75 Preferred Stock as provided in Section 2 hereof are in arrears, thereafter and until all accrued and unpaid dividends, whether or not declared, on the outstanding shares of \$9.75 Preferred Stock shall have been paid in full or declared and set apart for payment, or whenever the Corporation shall not have redeemed shares of \$9.75 Preferred Stock at a time required by paragraph (b) of Section 5 hereof, thereafter and until all mandatory redemption obligations which have come due shall have been satisfied or all necessary funds have been set apart for payment, the Corporation shall not: (i) redeem or purchase or otherwise acquire for consideration any shares of capital stock ranking (either as to dividends or upon liquidation, dissolution or winding up) junior to, or on a parity with, the \$9.75 Preferred Stock; or (ii) redeem or purchase or otherwise acquire for consideration any shares of \$9.75 Preferred Stock; provided, that the Corporation may elect to redeem all outstanding shares of \$9.75 Preferred Stock pursuant to paragraph (a) of Section 5 hereof, or may redeem shares of \$9.75 Preferred Stock pro rata (or in full, if fewer than 750,000 shares of \$9.75 Preferred Stock are then outstanding) pursuant to paragraph (a) or paragraph (b) of Section 5 hereof, or may otherwise redeem shares of \$9.75 Preferred Stock pursuant to paragraph (c) of Section 5 hereof or clause (iv) (B) of paragraph (b) of Section 8 hereof.

(c) The Corporation shall not permit any Subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of capital stock of the Corporation unless the Corporation could, pursuant to paragraph (b) of this Section 4, purchase such shares at such time and in such manner.

#### SECTION 5. *Redemption.*

(a) Except as otherwise provided in paragraph (c) of this Section 5 and clause (iv) (B) of paragraph (b) of Section 8, the Corporation shall not have any right to redeem shares of \$9.75 Preferred Stock prior to August 1, 1995. On and after such date, subject to the restrictions contained in Section 4 hereof, the Corporation shall have the right, at its sole option and election, to redeem shares of \$9.75 Preferred Stock, in whole or in part, at any time and from time to time at the redemption prices per share set forth below plus an amount per share equal to all unpaid dividends thereon, including accrued dividends, whether or not declared, to the date of redemption.

**If redeemed during the period beginning August 1, 1995 and ending January 31, 1996, at a price of \$101.0836, and thereafter, at a price of \$100.00.**

(b) On each February 1 commencing on February 1, 1994 (so long as any shares of \$9.75 Preferred Stock remain outstanding), the Corporation shall redeem 750,000 shares of \$9.75 Preferred Stock (or, if fewer than 750,000 shares of \$9.75 Preferred Stock are then outstanding, the number of shares then outstanding), by paying therefor in cash \$100.00 per share plus an amount per share equal to all unpaid dividends thereon, including accrued dividends, whether or not declared, to the date of redemption. The Corporation may apply to its mandatory redemption obligations, on a pro rata basis with respect to mandatory redemption payments to be made, any shares of \$9.75 Preferred Stock purchased, redeemed or otherwise acquired (other than upon conversion) by it which have not been previously credited against its mandatory redemption obligations.

(c) The Corporation shall have the right to redeem shares of \$9.75 Preferred Stock in accordance with paragraph 7D of the Preferred Stock Purchase Agreement dated February 1, 1987 between the Corporation and The Prudential Insurance Company of America, as it may be amended from time to time, and including any additional parties which become subject to said paragraph 7D, in accordance with the procedures specified therein.

(d) If less than all shares of \$9.75 Preferred Stock at the time outstanding are to be redeemed, the shares to be redeemed shall be selected pro rata, except in the event of a redemption made pursuant to paragraph (c) of this Section 5.

(e) Except for a redemption made pursuant to paragraph (c) of this Section 5 or clause (iv) (B) of paragraph (b) of Section 8, notice of any redemption of shares of \$9.75 Preferred Stock shall be mailed at least thirty, but not more than sixty, days prior to the date fixed for redemption to each holder of shares of \$9.75 Preferred Stock to be redeemed, at such holder's address as it appears on the transfer books of the Corporation. In order to facilitate the redemption of shares of \$9.75 Preferred Stock, the Board of Directors may fix a record date for the determination of shares of \$9.75 Preferred Stock to be redeemed, or may cause the transfer books of the Corporation for the \$9.75 Preferred Stock to be closed, not more than sixty days or less than thirty days prior to the date fixed for such redemption.

(f) On the date of any redemption being made pursuant to paragraph (a) or (b) of this Section 5 which is specified in the notice given pursuant to paragraph (e), the Corporation shall, and at any time after such notice shall have been mailed and before such date of redemption the Corporation may, deposit for the benefit of the holders of shares of \$9.75 Preferred Stock called for redemption the funds necessary for such redemption with a bank or trust company in the Borough of Manhattan, the City of New York, having a capital and surplus of at least \$500,000,000. Any monies so deposited by the Corporation and unclaimed at the end of two years from the date designated for such redemption shall revert to the general funds of the Corporation. After such reversion, any such bank or trust company shall, upon demand, pay over to the Corporation such unclaimed amounts and thereupon such bank or trust company shall be relieved of all responsibility in respect thereof and any holder of shares of \$9.75 Preferred Stock so called for redemption shall look only to the Corporation for the payment of the redemption price. In the event that monies are deposited pursuant to this paragraph (f) in respect of shares of \$9.75 Preferred Stock that are converted in accordance with the provisions of Section 8 hereof, such monies shall, upon such conversion, revert to the general funds of the Corporation and, upon demand, such bank or trust company shall pay over to the Corporation such monies and shall be relieved of all responsibility to the holders of such converted shares in respect thereof. Any interest accrued on funds deposited pursuant to this paragraph (f) shall be paid from time to time to the Corporation for its own account.

(g) Upon the deposit of funds pursuant to paragraph (f) in respect of shares of \$9.75 Preferred Stock called for redemption pursuant to paragraph (a) or (b) of this Section 5, notwithstanding that any certificates for such shares shall not have been surrendered for cancellation, the shares represented thereby shall no longer be deemed outstanding, the rights to receive dividends thereon shall cease to accrue from and after the date of redemption designated in the notice of redemption and all rights of the holders of shares of \$9.75 Preferred Stock called for redemption shall cease and terminate, excepting only the right to receive the redemption price therefor and the right to convert such shares into shares of Common Stock until the close of business on the second Business Day (as defined in Section 10 hereof) preceding the date of redemption, in accordance with Section 8 hereof.

**SECTION 6. *Reacquired Shares.*** Any shares of \$9.75 Preferred Stock converted, redeemed, purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation, and upon the filing of an appropriate certificate with the Secretary of State of the State of Delaware, become authorized but unissued shares of Preferred Stock, \$1.00 par value, of the Corporation and

may be reissued as part of another series of Preferred Stock, \$1.00 par value, of the Corporation subject to the conditions or restrictions on issuance set forth herein.

#### SECTION 7. *Liquidation, Dissolution or Winding Up.*

(a) Except as provided in paragraph (b) of this Section 7, upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (i) to the holders of shares of capital stock of the Corporation ranking junior (upon liquidation, dissolution or winding up) to the \$9.75 Preferred Stock unless, prior thereto, the holders of shares of \$9.75 Preferred Stock shall, subject to Section 8 hereof, have received (A, the liquidation value per share set forth below, plus an amount per share equal to all unpaid dividends thereon, including accrued dividends, whether or not declared, to the date of such payment or (B) if such payment occurs prior to February 1, 1990 the greater of the amount determined pursuant to clause (i) (A) and the Trading Value (as defined in Section 10 hereof) per share of \$9.75 Preferred Stock on the date of such payment; or (ii) to the holders of shares of capital stock ranking on a parity (upon liquidation, dissolution or winding up) with the \$9.75 Preferred Stock, except distributions made ratably on the \$9.75 Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. For purposes of clause (i) (A) above the liquidation value per share shall be during each 12-month period beginning February 1:

1987.....	\$109.7500
1988.....	\$108.6667
1989.....	\$107.5834
1990.....	\$106.5001
1991.....	\$105.4168
1992.....	\$104.3335
1993.....	\$103.2502
1994.....	\$102.1669
1995.....	\$101.0836
1996 and thereafter.....	\$100.00.

(b) If the Corporation shall commence a voluntary case under the Federal bankruptcy laws or any other applicable Federal or State bankruptcy, insolvency or similar law, or consent to the entry of an order for relief in an involuntary case under any such law or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Corporation or of any substantial part of its property, or make an assignment for the benefit of its creditors, or admit in writing its inability to pay its debts generally as they become due, or if a decree or order for relief in respect of the Corporation shall be entered by a court having jurisdiction in the premises in an involuntary case under the Federal bankruptcy laws or any other applicable Federal or State bankruptcy, insolvency or similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Corporation or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and any such decree or order shall be unstayed and in effect for a period of 90 consecutive days and on account of any such event the Corporation shall liquidate, dissolve or wind up, no distribution shall be made (i) to the holders of shares of capital stock of the Corporation ranking junior (upon liquidation, dissolution or winding up) to the \$9.75 Preferred Stock unless, prior thereto, the holders of shares of \$9.75 Preferred Stock shall have received \$100.00 per share, plus an amount per share equal to all unpaid dividends thereon, including accrued dividends, whether or not declared, to the date of such payment or (ii) to the holders of shares of capital stock ranking on a parity (upon liquidation, dissolution or winding up) with the \$9.75 Preferred Stock, except distributions made ratably on the \$9.75 Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.



(c) Neither the consolidation, merger or other business combination of the Corporation with or into any other Person or Persons nor the sale of all or substantially all of the assets of the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation for purposes of this Section 7.

**SECTION 8. Conversion.** Each share of \$9.75 Preferred Stock may be converted at any time on or after February 1, 1990, at the option of the holder thereof, into shares of Common Stock, on the terms and conditions set forth in this Section 8.

(a) Subject to the provisions for adjustment hereinafter set forth, each share of \$9.75 Preferred Stock shall be convertible in the manner hereinafter set forth into 5.84 fully paid and nonassessable shares of Common Stock.

(b) The number of shares of Common Stock into which each share of \$9.75 Preferred Stock is convertible shall be subject to adjustment from time to time as follows:

(i) In case the Corporation shall at any time or from time to time declare a dividend, or make a distribution, on the outstanding shares of Common Stock in shares of Common Stock or subdivide or reclassify the outstanding shares of Common Stock into a greater number of shares or combine or reclassify the outstanding shares of Common Stock into a smaller number of shares of Common Stock, then, and in each such case, the number of shares of Common Stock into which each share of \$9.75 Preferred Stock is convertible shall be adjusted so that the holder of each share thereof shall be entitled to receive, upon the conversion thereof, the number of shares of Common Stock which the holder of a share of \$9.75 Preferred Stock would have been entitled to receive after the happening of any of the events described above had such share been converted immediately prior to the happening of such event or the record date therefor, whichever is earlier. An adjustment made pursuant to this clause (i) shall become effective (A) in the case of any such dividend or distribution, immediately after the close of business on the record date for the determination of holders of shares of Common Stock entitled to receive such dividend or distribution, or (B) in the case of any such subdivision, reclassification or combination, at the close of business on the day upon which such corporate action becomes effective.

(ii) In case the Corporation shall at any time or from time to time issue shares of Common Stock (or securities convertible into shares of Common Stock) at a price per share (or having a conversion price per share) less than \$100.00 divided by the number of shares of Common Stock into which a share of \$9.75 Preferred Stock is then convertible (the "Conversion Price"), disregarding for the purposes of this clause (ii) any limitations on conversion set forth in the first sentence of this Section 8, as of the date of issuance of such shares or of such convertible securities, then, and in each such case, the number of shares of Common Stock into which each share of \$9.75 Preferred Stock is convertible shall be adjusted so that the holder of each share thereof shall be entitled to receive, upon the conversion thereof, the number of shares of Common Stock determined by multiplying (A) the number of shares of Common Stock into which such share was convertible on the day immediately prior to such date by (B) a fraction, the numerator of which shall be the sum of (1) the number of shares of Common Stock outstanding on such date and (2) the number of additional shares of Common Stock issued (or into which the convertible securities may convert), and the denominator of which shall be the sum of (1) the number of shares of Common Stock outstanding on such date and (2) the number of shares of Common Stock which the aggregate consideration receivable by the Corporation for the total number of shares of Common Stock so issued (or into which the convertible securities may convert) would purchase at such Conversion Price on such date. An adjustment made pursuant to this clause (ii) shall be made on the next Business Day following the date on which any such issuance is made and shall be effective retroactively immediately after the close of business on such date. For purposes of this clause (ii), the aggregate consideration receivable by the Corporation in connection with the issuance of shares of Common Stock or of securities

convertible into shares of Common Stock shall be deemed to be equal to the sum of the aggregate offering price (before deduction of reasonable underwriting discounts or commissions and expenses) of all such securities plus the minimum aggregate amount, if any, payable upon conversion of any such convertible securities into shares of Common Stock. The issuance of any shares of Common Stock (whether treasury shares or newly issued shares) pursuant to a dividend or distribution on, or subdivision, combination or reclassification of, the outstanding shares of Common Stock requiring an adjustment in the conversion ratio pursuant to clause (i) of this paragraph (b), or pursuant to any plan providing for the reinvestment of dividends or interest payable on securities of the Corporation, and the investment of additional optional amounts, in shares of Common Stock, in any such case at a price per share of not less than 85% of the current market price (determined as provided in such plans) per share of Common Stock, or pursuant to any employee benefit plan or program of the Corporation at a price per share of not less than the current market price (determined as provided in such plans or programs), or pursuant to any option, warrant, right, or convertible security outstanding as of the date hereof (including, but not limited to, the Common Stock Purchase Rights issued pursuant to the Rights Agreement between the Corporation and Ameritrust Company National Association, dated as of October 29, 1986, as amended as of December 18, 1986, and supplemented and amended as of February 1, 1987, and as it may be further amended from time to time (the "Rights Agreement")), and the \$2.07 Cumulative Convertible Preferred Stock, \$1.00 par value, and the \$4.00 Cumulative Convertible Preferred Stock, \$1.00 par value) shall not be deemed to constitute an issuance of Common Stock or convertible securities by the Corporation to which this clause (ii) applies.

(iii) In case the Corporation shall at any time or from time to time declare, order, pay or make a dividend or other distribution (including, without limitation, any distribution of stock or other securities or property or rights or warrants to subscribe for securities of the Corporation or any of its Subsidiaries by way of dividend or spin-off, except pursuant to the Rights Agreement) on its Common Stock, other than (A) regular quarterly dividends payable in cash out of surplus plus dividends payable in cash in an aggregate amount of up to \$200 million or (B) shares of Common Stock which are referred to in clause (i) of this paragraph (b), then, and in each such case, the number of shares of Common Stock into which each share of \$9.75 Preferred Stock is convertible shall be adjusted so that the holder of each share thereof shall be entitled to receive, upon the conversion thereof, the number of shares of Common Stock determined by multiplying (1) the number of shares of Common Stock into which such share was convertible on the day immediately prior to the record date fixed for the determination of stockholders entitled to receive such dividend or distribution by (2) a fraction, the numerator of which shall be the Current Market Price per share of Common Stock as of such record date, and the denominator of which shall be such Current Market Price per share of Common Stock less the Fair Market Value per share of Common Stock (as determined in good faith by the Board of Directors of the Corporation, a certified resolution with respect to which shall be mailed to each holder of shares of \$9.75 Preferred Stock) of such dividend or distribution; provided, however, that in the event of a distribution of shares of capital stock of a Subsidiary of the Corporation (a "Spin-Off") made to holders of shares of Common Stock, the numerator of such fraction shall be the sum of the Current Market Price per share of Common Stock as of the 35th Trading Day after the effective date of such Spin-Off and the Current Market Price of the number of shares (or the fraction of a share) of capital stock of the Subsidiary which is distributed in such Spin-Off in respect of one share of Common Stock as of such 35th Trading Day and the denominator of which shall be the Current Market Price per share of Common Stock as of such 35th Trading Day. An adjustment made pursuant to this clause (iii) shall be made upon the opening of business on the next Business Day following the date on which any such dividend or distribution is made and shall be effective retroactively immediately after the close of business on the record date fixed for the determination of stockholders entitled

to receive such dividend or distribution; *provided, however*, if the proviso to the preceding sentence applies, then such adjustment shall be made and be effective as of such 35th Trading Day after the effective date of such Spin-Off.

(iv) In case at any time the Corporation shall be a party to any transaction (including, without limitation, a merger, consolidation, sale of all or substantially all of the Corporation's assets, liquidation or recapitalization of the Common Stock and excluding any transaction to which clause (i), (ii) or (iii) of this paragraph (b) applies) in which the previously outstanding Common Stock shall be changed into or exchanged for different securities of the Corporation or common stock or other securities of another corporation or interests in a noncorporate entity or other property (including cash) or any combination of any of the foregoing (each such transaction being herein called the "Transaction," the date of consummation of the Transaction being herein called the "Consummation Date," the Corporation (in the case of a recapitalization of the Common Stock to which this clause (iv) applies or any other such transaction in which the Corporation retains substantially all of its assets and survives as a corporation) or such other corporation or entity (in each other case) being herein called the "Acquiring Company," and the common stock (or equivalent equity interests) of the Acquiring Company being herein called the "Acquirer's Common Stock"), then, as a condition of the consummation of the Transaction, lawful and adequate provisions shall be made so that each holder of shares of \$9.75 Preferred Stock shall be entitled, at the election of the \$9.75 Preferred Stock as provided in the following sentence, to the treatment accorded pursuant to sub-clause (A)(1) or (A)(2) and, to the extent applicable, (A)(3) or, under the circumstances specified therein, sub-clause (B) or (C) of this clause (iv). The selection by the holders of shares of \$9.75 Preferred Stock of the treatment to be accorded such shares from among the alternatives specified in the preceding sentence shall require the affirmative vote of the holders of at least 66⅔% of the outstanding shares of \$9.75 Preferred Stock, voting in person or by proxy, at a meeting of such stockholders, which vote shall be taken on or before the later of (1) the 30th day following the Consummation Date, and (2) the 60th day following the date of delivery or mailing to such holder of the last proxy statement relating to the vote on the Transaction by the holders of the Common Stock, and which vote shall bind all holders of shares of \$9.75 Preferred Stock and their transferees; if the holders of shares of \$9.75 Preferred Stock are unable to or for any other reason do not make a selection, then the Board of Directors of the Corporation shall make such selection, in accordance with this clause (iv), from among the alternatives specified in this clause (iv). Notwithstanding the foregoing, any holder of \$9.75 Preferred Stock shall in all events be entitled to the treatment accorded pursuant to sub-clause (A)(3) in the event the circumstances specified therein shall occur. Any selection made by the holders of shares of \$9.75 Preferred Stock in accordance with the preceding sentence shall be communicated in writing to the Corporation as promptly as practicable after the vote referred to above shall have been taken.

~~(A) In case of any Transaction, each share of \$9.75 Preferred Stock shall continue~~  
to remain outstanding and shall be subject to all the provisions of the Certificate of Designations, Preferences and Rights of \$9.75 Cumulative Convertible Preferred Stock which embodies this resolution, as in effect prior to such Transaction except that

(1) each share of \$9.75 Preferred Stock shall thereafter be convertible (subject to the limitations on conversion set forth in the first sentence of this Section 8) into, in lieu of the Common Stock issuable upon such conversion prior to the Consummation Date, shares of the Acquirer's Common Stock, unless the Acquiring Company fails to meet the requirements set forth in (4), (5) and (6) below, in which case shares of the common stock of the corporation (herein called a "Parent") which directly or indirectly controls the Acquiring Company if it meets the requirements set forth in (4), (5) and (6) below, at a conversion price per share equal to the Conversion Price in effect immediately prior to the Con-

summation Date multiplied by a fraction the numerator of which is the market price per share (determined in the same manner as provided in the definition of Current Market Price) of the Acquirer's Common Stock or the Parent's common stock, as the case may be, immediately prior to the Consummation Date and the denominator of which is the Current Market Price per share of Common Stock immediately prior to the Consummation Date (subject in each case to adjustments from and after the Consummation Date as nearly equivalent as possible to the adjustments provided for in this paragraph (b) of this Section 8), or

(2) each share of \$9.75 Preferred Stock shall thereafter be convertible (subject to the limitations on conversion set forth in the first sentence of this Section 8) into, in lieu of the Common Stock issuable upon such conversion prior to the Consummation Date, the amount of securities or other property to which such holder would actually have been entitled as a holder of shares of Common Stock upon the consummation of the Transaction if such holder had converted such shares of \$9.75 Preferred Stock immediately prior to such Transaction (subject to adjustments from and after the Consummation Date as nearly equivalent as possible to the adjustments provided for in this paragraph (b) of this Section 8); *provided that* if in connection with the Transaction a tender or exchange offer shall have been made and there shall have been acquired pursuant thereto more than 50% of the outstanding shares of Common Stock, and if the holders of shares of \$9.75 Preferred Stock so designate in the notice given to the Corporation which specifies their selection of this alternative (A) (2), each holder of such shares shall be entitled to receive upon conversion thereof, the amount of securities or other property to which such holder would actually have been entitled as a holder of shares of Common Stock if such holder had converted such shares of \$9.75 Preferred Stock prior to the expiration of such tender or exchange offer and accepted such offer and had sold therein the percentage of all the shares of Common Stock issuable upon conversion of its shares of \$9.75 Preferred Stock equal to the percentage of shares of the then outstanding Common Stock so purchased in the tender or exchange offer, with the remaining portion of its shares of \$9.75 Preferred Stock thereafter being convertible into the amount of securities or other property to which such holder would actually have been entitled upon the consummation of the Transaction as a holder of shares of Common Stock if such holder had converted such shares of \$9.75 Preferred Stock immediately prior to such Transaction (subject to adjustments from and after the Consummation Date as nearly equivalent as possible to the adjustments provided for in this paragraph (b) of this Section 8), or

(3) if neither the Acquiring Company nor the Parent meets the requirements set forth in (4), (5) and (6) below, each share of \$9.75 Preferred Stock shall thereafter be convertible into, in lieu of the Common Stock issuable upon such conversion prior to the Consummation Date (and subject to the limitations on conversion set forth in the first sentence of this Section 8), an amount in cash equal to the Fair Market Value in cash, as of the Consummation Date (computed without interest), of the shares of capital stock or other securities or property (other than cash) to which the holder of shares of \$9.75 Preferred Stock would be entitled, pursuant to (2) above (including the proviso thereof, if applicable) upon conversion of each such share, as determined by an independent investment banking firm (with an established national reputation as a valuer of equity securities) selected by the Corporation, plus the cash, if any, into which each such share of \$9.75 Preferred Stock would be convertible pursuant to (2) above.

The Corporation agrees to obtain, and deliver to each holder of shares of \$9.75 Preferred Stock a copy of the determination of such an independent investment

banking firm within 15 days after the Consummation Date of any Transaction to which (3) is applicable.

The requirements referred to above in the case of the Acquiring Company or its Parent are that immediately after the Consummation Date:

(4) It is a solvent corporation or other entity organized under the laws of any State of the United States of America having its common stock or, in the case of an entity other than a corporation, equivalent equity securities, listed on the New York Stock Exchange or the American Stock Exchange or quoted by the NASDAQ National Market System or any successor thereto or comparable system, and such common stock or equivalent equity security continues to meet the requirements for such listing or quotation,

(5) it is required to file, and in each of its three fiscal years immediately preceding the Consummation Date (or since its inception) has filed, reports with the Securities and Exchange Commission (the "Commission") pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, and

(6) in the case of the Parent, such Parent is required to include the Acquiring Company in the consolidated financial statements contained in the Parent's Annual Report on Form 10-K as filed with the Commission and is not itself included in the consolidated financial statements of any other Person (other than its consolidated subsidiaries).

Notwithstanding anything contained herein to the contrary, the Corporation shall not effect any Transaction unless prior to the consummation thereof each corporation or entity (other than the Corporation) which may be required to deliver any securities or other property upon the conversion of shares of \$9.75 Preferred Stock, or the satisfaction of conversion rights as provided herein shall assume, by written instrument delivered to each holder of shares of \$9.75 Preferred Stock, the obligation to deliver to such holder such securities or other property to which, in accordance with the foregoing provisions, such holder may be entitled, and such corporation or entity shall have similarly delivered to each holder of shares of \$9.75 Preferred Stock an opinion of counsel for such corporation or entity, which opinion shall state that the rights, powers and privileges of the outstanding shares of \$9.75 Preferred Stock, including, without limitation, the conversion provisions applicable thereto, if any, shall thereafter continue in full force and effect and shall be enforceable against such corporation or entity in accordance with the terms hereof and thereof.

(B) Notwithstanding the foregoing, if the Consummation Date of a Transaction in which the Corporation is a party occurs prior to February 1, 1990 and if during any period of 12 consecutive months ending on or prior to February 1, 1990, the daily average of all the closing sales prices for each month during such period shall have been less than \$14.75 (as such price shall be adjusted in accordance with this sub-clause (B)), the shares of \$9.75 Preferred Stock shall, if the holders of shares of \$9.75 Preferred Stock shall so select, in the manner prescribed above in this clause (iv), be redeemed by the Corporation for, or exchanged in a Transaction which is a merger or consolidation for, a cash amount equal to \$100.00 per share plus an amount per share equal to all unpaid dividends thereon, including accrued dividends, whether or not declared, to the date such Transaction is consummated; provided, that if such Transaction is a merger or consolidation, a definitive agreement for any such merger or consolidation is entered into within 20 days after the end of such 12-month period and is consummated within 75 days thereafter, and if such Transaction is other than a merger or consolidation, it is consummated within 75 days after the end of such 12-month period. The price set forth in the preceding sentence shall from and after the record date for a dividend or distribution requiring an adjustment in the conversion rate

pursuant to clause (iii) of this paragraph (b) be reduced by the Fair Market Value per share of Common Stock of such dividend or distribution as determined pursuant to clause (iii) and shall also be appropriately adjusted in the event of an occurrence requiring an adjustment in the conversion rate pursuant to clause (i) of this paragraph (b).

(C) In case of any Transaction, provision may be made, in lieu of the adjustments hereinbefore provided for in this clause (iv), for each share of \$9.75 Preferred Stock to be exchanged for or to be converted in such Transaction, in a manner and for consideration other than as specified in any of sub-clauses (A) or (B); *provided, however*, that any such treatment shall require both (1) the approval of the Board of Directors of the Corporation, which approval includes the affirmative vote of at least 80% of the directors then in office other than those who have been elected pursuant to paragraph (a) of Section 3 hereof and (2) the favorable opinion of an independent investment banking firm (with an established national reputation as a valuer of equity securities) selected by the Board of Directors of the Corporation which is to the effect that the Transaction is fair to the holders of shares of \$9.75 Preferred Stock, and to the holders of shares of Common Stock in view of the treatment in such Transaction of the \$9.75 Preferred Stock.

All calculations under this paragraph (b) shall be made to the nearest one one-hundredth of a share.

(c) If any adjustment in the number of shares of Common Stock into which each share of \$9.75 Preferred Stock may be converted required pursuant to this Section 8 would result in an increase or decrease of less than 1% in the number of shares of Common Stock into which each share of \$9.75 Preferred Stock is then convertible, the amount of any such adjustment shall be carried forward and adjustment with respect thereto shall be made at the earlier of (i) the time of and together with any subsequent adjustment, which, together with such amount and any other amount or amounts so carried forward, shall aggregate at least 1% of the number of shares of Common Stock into which each share of \$9.75 Preferred Stock is then convertible or (ii) three years after the date on which such adjustment otherwise would have been made.

(d) The Board of Directors may increase the number of shares of Common Stock into which each share of \$9.75 Preferred Stock may be converted, in addition to the adjustments required by this Section 8, as shall be determined by it (as evidenced by a resolution of the Board of Directors) to be advisable in order to avoid or diminish any income deemed to be received by any holder for federal income tax purposes of shares of Common Stock or \$9.75 Preferred Stock resulting from any events or occurrences giving rise to adjustments pursuant to this Section 8 or from any other similar event.

(e) The holder of any shares of \$9.75 Preferred Stock may exercise his right to convert such shares into shares of Common Stock by surrendering for such purpose to the Corporation, at its principal office or at such other office or agency maintained by the Corporation for that purpose, a certificate or certificates representing the shares of \$9.75 Preferred Stock to be converted accompanied by a written notice stating that such holder elects to convert all or a specified whole number of such shares in accordance with the provisions of this Section 8 and specifying the name or names in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. In case such notice shall specify a name or names other than that of such holder, such notice shall be accompanied by payment of all transfer taxes payable upon the issuance of shares of Common Stock in such name or names. Other than such taxes, the Corporation will pay any and all issue and other taxes (other than taxes based on income) that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of \$9.75 Preferred Stock pursuant hereto. As promptly as practicable, and in any event within five business days after the surrender of such certificate or certificates and the receipt of such notice relating thereto and, if applicable, payment of all transfer taxes (or the

demonstration to the satisfaction of the Corporation that such taxes have been paid), the Corporation shall deliver or cause to be delivered (i) certificates representing the number of validly issued, fully paid and nonassessable full shares of Common Stock to which the holder of shares of \$9.75 Preferred Stock so converted shall be entitled and (ii) if less than the full number of shares of \$9.75 Preferred Stock evidenced by the surrendered certificate or certificates are being converted, a new certificate or certificates, of like tenor, for the number of shares evidenced by such surrendered certificate or certificates less the number of shares converted. Such conversion shall be deemed to have been made at the close of business on the date of giving of such notice and of such surrender of the certificate or certificates representing the shares of \$9.75 Preferred Stock to be converted so that the rights of the holder thereof as to the shares being converted shall cease except for the right to receive shares of Common Stock in accordance herewith, and the person entitled to receive the shares of Common Stock shall be treated for all purposes as having become the record holder of such shares of Common Stock at such time. The Corporation shall not be required to convert, and no surrender of shares of \$9.75 Preferred Stock shall be effective for that purpose, while the transfer books of the Corporation for the Common Stock are closed for any purpose (but not for any period in excess of 15 days); but the surrender of shares of \$9.75 Preferred Stock for conversion during any period while such books are so closed shall become effective for conversion immediately upon the reopening of such books, as if the conversion had been made on the date such shares of \$9.75 Preferred Stock were surrendered, and at the conversion rate in effect at the date of such surrender.

(f) Subject to the limitations on conversion set forth in the first sentence of Section 8 hereof, shares of \$9.75 Preferred Stock may be converted at any time up to the close of business on the second Business Day preceding the date fixed for redemption of such shares pursuant to Section 5 hereof.

(g) Upon conversion of any shares of \$9.75 Preferred Stock, the holder thereof shall not be entitled to receive any accumulated, accrued or unpaid dividends in respect of the shares so converted; *provided*, that such holder shall be entitled to receive any dividends on such shares of \$9.75 Preferred Stock declared prior to such conversion if such holder held such shares on the record date fixed for the determination of holders of shares of \$9.75 Preferred Stock entitled to receive payment of such dividend.

(h) In connection with the conversion of any shares of \$9.75 Preferred Stock, no fractions of shares of Common Stock shall be issued, but in lieu thereof the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the Current Market Price per share of Common Stock on the day on which such shares of \$9.75 Preferred Stock are deemed to have been converted.

(i) The Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of effecting the conversion of the \$9.75 Preferred Stock, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of all then outstanding shares of \$9.75 Preferred Stock. The Corporation shall from time to time, in accordance with the laws of Delaware, increase the authorized amount of Common Stock if at any time the number of authorized shares of Common Stock remaining unissued shall not be sufficient to permit the conversion at such time of all then outstanding shares of \$9.75 Preferred Stock.

**SECTION 9. Reports as to Adjustments.** Whenever the number of shares of Common Stock into which each share of \$9.75 Preferred Stock is convertible is adjusted as provided in Section 8 hereof, the Corporation shall promptly mail to the holders of record of the outstanding shares of \$9.75 Preferred Stock at their respective addresses as the same shall appear in the Corporation's stock records a notice stating that the number of shares of Common Stock into which the shares of \$9.75 Preferred Stock are convertible has been adjusted and setting forth the new number of shares of Common Stock (or describing the new stock, securities, cash or other property) into which each share of \$9.75 Preferred Stock is convertible as a result of such adjustment, a brief statement of the

facts requiring such adjustment and the computation thereof, and when such adjustment became effective.

**SECTION 10. Definitions.** For the purposes of the Certificate of Designations, Preferences and Rights of \$9.75 Cumulative Convertible Preferred Stock which embodies this resolution:

"Business Day" means any day other than a Saturday, Sunday, or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"Consolidated Assets" at any time means the assets of the Corporation and its Subsidiaries or of any successor Person to the Corporation and its Subsidiaries or of any Reporting Entity and its Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles as of February 1, 1987.

"Consolidated Funded Debt" at any time means the Funded Debt of the Corporation and its Subsidiaries or of any successor Person to the Corporation and its Subsidiaries or of any Reporting Entity and its Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles as of February 1, 1987.

"Current Market Price" per share of Common Stock on any date shall be deemed to be the average of the daily closing prices per share of Common Stock for the 30 consecutive Trading Days immediately prior to such date. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if the Common Stock is not listed or admitted to trading on any national securities exchange, the last quoted sale price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other system then in use, or, if on any such date the Common Stock is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board of Directors. If the Common Stock is not publicly held or so listed or publicly traded, "Current Market Price" shall mean the Fair Market Value per share as determined in good faith by the Board of Directors of the Corporation.

"Fair Market Value" means the amount which a willing buyer would pay a willing seller in an arm's-length transaction.

"Funded Debt" of any Person means (i) all obligations for money borrowed, (ii) all obligations evidenced by a note, bond, debenture or similar evidence of indebtedness, (iii) all obligations representing the deferred and unpaid purchase price for property or services, (iv) all capitalized lease and production payment obligations and (v) all guarantees of obligations of others of the types specified in clauses (i) through (iv) above, in each case where such obligations mature, or which are extendible or renewable at the option of the obligor on such obligations to a time, more than 12 months after the time of the computation of the amount of Funded Debt in the respective amounts which would be shown for such obligations, under generally accepted accounting principles, on a balance sheet of such Person as a liability item other than a current liability.

"Generally accepted accounting principles" means with respect to any computation required or permitted hereunder such accounting principles which are generally accepted as of February 1, 1987.

"Gross Tangible Worth" at any time means Consolidated Assets less the sum of (i) all current liabilities (excluding any thereof which are by their terms extendible or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed), (ii) total intangibles, (iii) deferred taxes, (iv) other liabilities (excluding Funded Debt) and (v) minority interests in unconsolidated Subsidiaries of the Corporation and its Subsidiaries or



of any successor Person to the Corporation and its Subsidiaries or of any Reporting Entity and its Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles as of February 1, 1987.

"Person" shall mean any individual, firm, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.

"Subsidiary" of any Person means any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

"Trading Day" means a day on which the principal national securities exchange on which the Common Stock is listed or admitted to trading is open for the transaction of business or, if the Common Stock is not listed or admitted to trading on any national securities exchange, any day other than a Saturday, Sunday, or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"Trading Value" per share of \$9.75 Preferred Stock on any particular date is the product of (i) the number of shares of Common Stock into which one share of \$9.75 Preferred Stock is convertible on such date (disregarding for the purposes of this definition any limitations on conversion set forth in Section 8 hereof) and (ii) the then-Current Market Price per share of Common Stock.

"Voting Stock" means the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

**SECTION 11. Rank.** The \$9.75 Preferred Stock shall rank on a parity as to dividends and upon liquidation, dissolution or winding up with the outstanding shares of the Corporation's \$2.07 Cumulative Convertible Preferred Stock, \$1.00 par value, and \$4.00 Cumulative Convertible Preferred Stock, \$1.00 par value.

**FIFTH.** In furtherance of, and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized and empowered:

(a) To make and alter the By-Laws of the Corporation; provided, however, that the By-Laws made by the Board of Directors under the powers hereby conferred may be altered, changed, amended or repealed by the Board of Directors or by the stockholders having voting power with respect thereto, except that By-Laws 8, 12, 15 and 49 shall not be altered, changed, amended or repealed, nor shall any provision inconsistent with such By-Laws be adopted, without the affirmative vote of the holders of at least 80% of the combined voting power of all shares of the Corporation entitled to vote generally in the election of Directors, voting together as a single class. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the combined voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, change, amend, repeal, or adopt any provision inconsistent with, this Section (a) of Article Fifth; and

(b) From time to time to determine whether and to what extent, and at what times and places, and under what conditions and regulations, the accounts and books of the Corporation or any of them, shall be open to inspection of stockholders; and no stockholder shall have any right to inspect any account, book or document of the Corporation, except as conferred by applicable law and subject to the rights, if any, of the holders of any series of Preferred Stock.

The Corporation may in its By-Laws confer powers upon its Board of Directors in addition to the foregoing and in addition to the powers and authorities expressly conferred upon the Board of Directors by applicable law.

**SIXTH.** The stockholders and Board of Directors of the Corporation shall have power to hold their meetings and to have one or more offices of the Corporation within or without the State of Delaware, and to keep the books of the Corporation outside of the State of Delaware at such place or places as may from time to time be designated by the Board of Directors.

**SEVENTH.** Subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional Directors under specific circumstances:

(a) Any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing of such stockholders; and

(b) Special meetings of stockholders of the Corporation may be called only by the Chairman of the Board of Directors and shall be promptly called by the Chairman or the Secretary at the written request of a majority of the Board of Directors upon not fewer than ten nor more than 60 days' written notice.

Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the combined voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, change, amend, repeal, or adopt any provision inconsistent with, this Article Seventh.

**EIGHTH. SECTION 1. Number, Election and Terms of Directors.** Subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional Directors under specific circumstances, the number of the Directors of the Corporation shall be fixed from time to time by or pursuant to the By-Laws of the Corporation. The Directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, shall be classified with respect to the time for which they severally hold office into three classes, as nearly their equal in number as possible, as shall be provided in the manner specified in the By-Laws of the Corporation. At the annual meeting of the stockholders held in 1985, one class shall be originally elected for a term expiring at the annual meeting of stockholders to be held in 1986, another class shall be originally elected for a term expiring at the annual meeting of stockholders to be held in 1987, and another class shall be originally elected for a term expiring at the annual meeting of stockholders to be held in 1988, with the members of each class to hold office until their successors are elected and qualified. At each succeeding annual meeting of the stockholders of the Corporation, the successors of the class of Directors whose term expires at that meeting shall, subject to Section 4 of this Article Eighth, be elected by plurality vote of all votes cast at such meeting to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

**SECTION 2. Stockholder Nomination of Director Candidates and Introduction of Business.** Advance notice of stockholder nominations for the election of Directors and advance notice of business to be brought by stockholders before an annual meeting shall be given in the manner provided in the By-Laws of the Corporation.

**SECTION 3. Newly Created Directorships and Vacancies.** Except as otherwise provided for or fixed by or pursuant to the provisions of Article Fourth of this Certificate of Incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect Directors under specified circumstances, newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled only by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board of Directors. Any Director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of Directors in which the new directorship was created or the vacancy occurred and until such Director's successor shall have been elected and qualified. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of an incumbent Director.

**SECTION 4. Cumulative Voting in Certain Circumstances.** In any election of Directors of the Corporation on or after the date on which the Corporation becomes aware that any 30% Stockholder (as defined below) has become a 30% Stockholder, there shall be cumulative voting for election of

Directors so that any holder of shares of Voting Stock may cumulate the voting power represented by his shares and give one candidate a number of votes equal to the number of Directors to be elected multiplied by the number of votes to which such shares are entitled, or distribute such votes on the same principle among as many candidates for election as such holder of shares determines. For the purposes of this Section 4 of Article Eighth, a "30% Stockholder" shall mean any person (other than the Corporation and any other corporation of which a majority of the voting power of the capital stock entitled to vote generally in the election of directors is owned, directly or indirectly, by the Corporation) who or which is the beneficial owner, directly or indirectly, of 30% or more of the outstanding Voting Stock.

**SECTION 5. Removal.** Subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional Directors under specified circumstances, any Director may be removed from office only by the affirmative vote of the holders of at least 80% of the combined voting power of the outstanding shares of Voting Stock, voting together as a single class; provided, that notwithstanding the foregoing provisions of this Section 5 of this Article Eighth, if at any time when cumulative voting is permitted pursuant to Section 4 of this Article Eighth less than the entire Board of Directors is to be removed, no Director may be removed from office if the votes cast against his removal would be sufficient to elect him as a Director if then cumulatively voted for him at an election of the class of Directors of which he is a part.

**SECTION 6. Amendment, Repeal or Alteration.** Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the combined voting power of the outstanding shares of the Voting Stock, voting together as a single class, shall be required to alter, change, amend, repeal, or adopt any provision inconsistent with, this Article Eighth.

**SECTION 7. Certain Definitions.** For the purpose of this Article Eighth:

(a) A "person" shall mean any individual, firm, corporation or other entity.

(b) "Voting Stock" shall mean the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of Directors. In any vote required by or provided for in this Article Eighth, each share of Voting Stock shall have the number of votes granted to it generally in the election of Directors.

(c) A person shall be a "beneficial owner" of any shares of Voting Stock:

(i) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any Voting Stock;

provided, however, that no person shall be deemed to be a "beneficial owner" of any shares of Voting Stock solely by reason of such person's right to vote or to acquire such Voting Stock pursuant to any agreement or instrument approved by a majority of the Board of Directors.

(d) In determining whether a person is a 30% Stockholder pursuant to Section 4 of this Article Eighth, any class of Voting Stock outstanding shall be deemed to include any Voting Stock deemed owned through application of paragraph (c) of this Section 7 but shall not

include any other securities of such class which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(e) "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1985.

**NINTH. SECTION 1. *Prevention of Greenmail.*** Any direct or indirect purchase or other acquisition by the Corporation of any Voting Stock of any class from any Interested Stockholder at a price in excess of the Market Price shall, except as hereinafter provided, require the affirmative vote of the holders of at least a majority of the combined voting power of the Voting Stock, voting as a single class, excluding any votes cast with respect to shares of Voting Stock beneficially owned by such Interested Stockholder. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law in or any agreement with any national securities exchange, or otherwise, but no such affirmative vote shall be required with respect to any purchase or other acquisition of securities made as part of (a) a tender or exchange offer by the Corporation to purchase securities of the same class made on the same terms to all holders of such securities and complying with the applicable requirements of the United States securities laws and the rules and regulations thereunder, (b) the redemption of any shares of Preferred Stock pursuant to the provisions of Article Fourth of this Certificate of Incorporation or any Preferred Stock Designation, or (c) pursuant to an open-market purchase program conducted in accordance with the requirements of Rule 10b-18 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, or any successor rule or regulation.

**SECTION 2. *Prevention of Self-Dealing.*** In addition to any action, including any vote by stockholders required by law or this Certificate of Incorporation, the approval or authorization of any Self-Dealing Transaction shall require either (a) the approval of a majority of Disinterested Directors or (b) the affirmative vote of the holders of at least a majority of the combined voting power of the Voting Stock, voting together as a single class, excluding any votes cast with respect to shares of Voting Stock beneficially owned by an Interested Stockholder which is directly or indirectly a party, or an Affiliate or Associate of which is, directly or indirectly, a party, to such Self-Dealing Transaction.

**SECTION 3. *Certain Definitions.*** For the purpose of this Article Ninth:

(a) A "person" shall mean any individual, firm, corporation or other entity.

(b) "Voting Stock" shall mean the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of Directors. In any vote required by or provided for in this Article Ninth, each share of Voting Stock shall have the number of votes granted to it generally in the election of Directors.

(c) "Interested Stockholder" shall mean any person (other than the Corporation or any Subsidiary) who or which:

(i) is the beneficial owner, directly or indirectly, of more than 5% of the outstanding Voting Stock; or

(ii) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of more than 5% of the outstanding Voting Stock; or

(iii) is an assignee of or has otherwise succeeded to any Voting Stock of the Corporation which at any time within the two-year period immediately prior to the date in question was beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(d) A person shall be a "beneficial owner" of any shares of Voting Stock:

(i) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates had any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any Voting Stock.

(e) In determining whether a person is an Interested Stockholder pursuant to paragraph (c) of this Section 3, any class of Voting Stock outstanding shall be deemed to include any Voting Stock deemed owned through application of paragraph (d) of this Section 3 but shall not include any other securities of such class which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(f) "Self-Dealing Transaction" means any of the following transactions:

(i) any merger or consolidation of the Corporation or any Subsidiary with (a) any Interested Stockholder or (b) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate of an Interested Stockholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate fair market value of \$25,000,000 or more or any loan, advance, guarantee or other financial assistance, including any tax credit or other tax advantages, to or with any Interested Stockholder or any Affiliate of any Interested Stockholder which involves a financial obligation or benefit of \$25,000,000 or more; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate fair market value of \$25,000,000 or more; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Stockholder or any Affiliate of any Interested Stockholder; or

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of Voting Stock of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder.

(g) "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1985.

(h) "Subsidiary" means any corporation of which a majority of any class of shares of such corporation entitled to vote generally in the election of directors is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Interested Stockholder set forth in paragraph (c) of this Section 3, the term "Subsidiary" shall mean only a corporation of which a majority of the combined voting power of all shares of such corporation entitled to vote generally in the election of directors is owned, directly or indirectly, by the Corporation.

(i) "Disinterested Director" means any member of the Board of Directors of the Corporation who is unaffiliated with the Interested Stockholder and was a member of the Board of Directors prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Disinterested Director who is unaffiliated with the Interested Stockholder and is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board of Directors.

(j) "Market Price" means the average of the closing sales prices on the 20 regular trading days immediately preceding the date of any binding agreement to purchase shares of Voting Stock of the class of Voting Stock in question on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such class of Voting Stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such class of Voting Stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such class of Voting Stock is listed, or, if such class of Voting Stock is not listed on any such exchange, the last closing bid quotations with respect to a share of such class of Voting Stock immediately preceding the time in question on the National Association of Securities Dealers, Inc., Automated Quotations System or any system then in use (or any other system of reporting or ascertaining quotations then available), or if such class of Voting Stock is not so quoted, the fair market value at the time in question of such stock as determined by the Board of Directors in good faith.

**SECTION 4. Powers of the Board of Directors.** A majority of the Disinterested Directors, or, if there are no Disinterested Directors, a majority of the members of the Board of Directors then in office, shall have the power to determine, for the purposes of this Article Ninth, on the basis of information known to them, (a) whether a person is an Interested Stockholder, (b) the number of shares of Voting Stock beneficially owned by any person, (c) whether a person is an Affiliate or Associate of another, and (d) whether the assets or financial obligations or benefits which are the subject of any Self-Dealing Transaction have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Self-Dealing Transaction has, an aggregate fair market value of or involve \$25,000,000 or more. A majority of the Disinterested Directors, or, if there are no Disinterested Directors, a majority of the members of the Board of Directors then in office, shall have the further power to interpret all of the terms and provisions of this Article Ninth.

**SECTION 5. Amendment, Repeal, etc.** Notwithstanding anything contained in this Certificate of Incorporation or the By-Laws of the Corporation to the contrary, the alteration, change, amendment, repeal or adoption of any provisions inconsistent with this Article Ninth shall require the affirmative vote of the holders of a majority of the combined voting power of the outstanding Voting Stock, excluding any votes cast with respect to shares of Voting Stock beneficially owned by any Interested Stockholder, voting together as a single class, but in no event less than the affirmative vote of 80% of combined voting power of the outstanding shares of Voting Stock, including shares of Voting Stock beneficially owned by any Interested Stockholder, voting together as a single class.

**TENTH.** The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, including in a Preferred Stock Designation, in the manner now or hereafter prescribed by applicable law and this Certificate of Incorporation, including any applicable Preferred Stock Designation, and all rights conferred upon stockholders herein are created subject to this reservation.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation, which restates and integrates and does not further amend the provisions of the Corporation's Restated Certificate of Incorporation, as heretofore amended or supplemented, there being no discrepancies between those provisions and the provisions of this Restated Certificate of Incorporation, and having been duly adopted by the Board of Directors of the Corporation in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware, has been executed on the 9th day of October, 1987.



MAXUS ENERGY CORPORATION

By: \_\_\_\_\_

J. F. Kelley, Senior Vice President

By: \_\_\_\_\_

N. R. Green

N. R. Green, Secretary

**RESTATED**  
**CERTIFICATE OF INCORPORATION**  
**OF**  
**MAXUS ENERGY CORPORATION**  
**(Originally incorporated under the name of**  
**New Diamond Corporation on July 19, 1983)**

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*FIRST.* The name of the Corporation (the "Corporation") is Maxus Energy Corporation.

*SECOND.* The registered office of the Corporation in the State of Delaware is located at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

*THIRD.* The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

*FOURTH.* The Corporation is authorized to issue two classes of capital stock, designated Common Stock and Preferred Stock. The amount of total authorized capital stock of the Corporation is 400,000,000 shares, divided into 300,000,000 shares of Common Stock, \$1.00 par value, and 100,000,000 shares of Preferred Stock, \$1.00 par value.

The Preferred Stock may be issued in one or more series. The Board of Directors is hereby authorized to issue the shares of Preferred Stock in such series and to fix from time to time before issuance the number of shares to be included in any series and the designation, relative powers, preferences and rights and qualifications, limitations or restrictions of all shares of such series. The authority of the Board of Directors with respect to each series shall include, without limiting the generality of the foregoing, the determination of any or all of the following:

- (a) the number of shares of any series and the designation to distinguish the shares of such series from the shares of all other series;
- (b) the voting powers, if any, and whether such voting powers are full or limited, in such series;
- (c) the redemption provisions, if any, applicable to such series, including the redemption price or prices to be paid;
- (d) whether dividends, if any, shall be cumulative or noncumulative, the dividend rate of such series, and the dates and preferences of dividends on such series;
- (e) the rights of such series upon the voluntary or involuntary dissolution of, or upon any distribution of the assets of, the Corporation;



(f) the provisions, if any, pursuant to which the shares of such series are convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock, or any other security, of the Corporation or any other corporation, and price or prices or the rates of exchange applicable thereto;

(g) the right, if any, to subscribe for or to purchase any securities of the Corporation or any other corporation;

(h) the provisions, if any, of a sinking fund applicable to such series; and

(i) any other relative, participating, optional or other special powers, preferences, rights, qualifications, limitations or restrictions thereof;

all as shall be determined from time to time by the Board of Directors and shall be stated in said resolution or resolutions providing for the issuance of such Preferred Stock (a "Preferred Stock Designation").

#### *\$4.00 Cumulative Convertible Preferred Stock*

The following is a statement of the powers, preferences, rights, qualifications, limitations and restrictions of the Series, consisting of 4,565,017 shares, \$1.00 par value, of the \$4.00 Cumulative Convertible Preferred Stock.

(A) *Number of Shares.* The number of shares which shall constitute this Series shall be 4,565,017, which number may be increased or decreased (but not below the number outstanding) from time to time by the Board of Directors of the Corporation.

(B) *Dividend Rate; Cumulative Date.* The annual dividend rate payable on this Series shall be \$4.00 per share, cumulative to the extent not paid from September 15, 1983, and in each case payable quarterly on March 15, June 15, September 15 and December 15 in each year, commencing December 15, 1983.

(C) *Redemption.* The Corporation may, at the option of the Board of Directors, redeem the whole or any part of the then-outstanding shares of this Series, at any time or from time to time, upon notice duly given as hereinafter specified, at the following prices per share if redeemed during the 12-month period beginning December 15 of the year indicated:

1982	.....	\$53.20	1986	.....	\$51.60
1983	.....	52.80	1987	.....	51.20
1984	.....	52.40	1988	.....	50.80
1985	.....	52.00	1989	.....	50.40

and thereafter at \$50.00 per share, together in each case with a sum, for each share so redeemed, computed at the rate of \$4.00 per annum from and after the last regular quarterly payment date applicable to \$4.00 Series C Cumulative Convertible Preferred Shares of Natomas Company,

irrespective of whether such date precedes or follows the date of issuance of this Series, on which the quarterly dividend was paid in full (the "Accrual Date"), to and including such date fixed for redemption, less the aggregate of the dividends theretofore and on such redemption date paid on such Series, but computed without interest; provided that unless provision has been made for payment in full of dividends on all shares of outstanding Preferred Stock of the Corporation for all past dividend periods and the current period, no sum shall be set aside for the redemption of any shares of this Series nor shall any shares of this Series be purchased or otherwise acquired by the Corporation.

(D) *Notice of Redemption.* Notice of redemption of shares of this Series, as described in division (C) hereof, shall be given as follows:

(1) Notice of every such redemption of shares of this Series shall be given by publication at least once a week in each of two successive weeks in a newspaper printed in the English language and customarily published on each business day and of general circulation in the city in which the Corporation maintains its principal executive offices and in the Borough of Manhattan, The City of New York, commencing at least 20 but not more than 60 days prior to the date fixed for such redemption. Notice of every such redemption shall also be mailed at least 20 but not more than 60 days prior to the date fixed for such redemption to the holders of record of the shares so to be redeemed at their respective addresses as the same shall appear on the books of the Corporation, but no failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares so to be redeemed.

(2) In case of redemption of a part only of this Series at the time outstanding, the redemption may be either pro rata or by lot. The Board of Directors shall prescribe the manner in which the drawings by lot or the pro rata redemption shall be conducted and, subject to the provisions herein and in the Certificate of Incorporation contained, the terms and conditions upon which the shares of this Series shall be redeemed from time to time.

(3) If such notice of redemption shall have been duly given by publication or if the Corporation shall have given to the bank or trust company designated by the Corporation pursuant to this subdivision (3) irrevocable authorization promptly to give or to complete such notice of publication, and if on or before the redemption date specified therein the funds necessary for such redemption shall have been deposited by the Corporation, in trust for the pro rata benefit of the holders of the shares so called for redemption, with a bank or trust company in good standing, designated in such notice, organized under the laws of the United States of America or of the State of New York, doing business in the Borough of Manhattan, The City of New York, having a capital, surplus and undivided profits aggregating at least \$5,000,000 according to its last published statement of condition, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, from and after the time of such deposit, all shares so called for redemption shall no longer be deemed to be outstanding and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive from such deposit the funds so deposited, without interest, and the right to exercise on or before the close of business on the date fixed for redemption, privileges of exchange or conversion, if any, not

theretofore expiring. Any interest accrued on such funds shall be paid to the Corporation from time to time.

(4) Any funds so set aside or deposited by the Corporation which shall not be required for such redemption because of the exercise of any right of conversion or exchange subsequent to the date of such deposit shall be released or repaid to the Corporation. Any funds so set aside or deposited, as the case may be, and unclaimed at the end of six years from such redemption date shall be released or repaid to the Corporation, after which the holders of the shares so called for redemption shall look only to the Corporation for payment thereof.

(5) In connection with any redemption of shares of this Series, the Corporation may arrange for the purchase and conversion of any shares of this Series by an agreement with one or more investment banking firms or other purchasers to purchase such shares by paying to or for the account of the holders thereof on or before the close of business on the date fixed for such redemption an amount not less than the redemption price (plus accrued and unpaid dividends) payable by the Corporation on redemption of such shares. Any shares of this Series tendered by the holders thereof for redemption or not duly surrendered for conversion or deemed converted by the holders thereof prior to the close of business on the date fixed for redemption shall be deemed acquired by such purchasers from such holders immediately prior to the close of business on the date fixed for such redemption and surrendered by such purchasers for conversion pursuant to such agreement, subject to payment of the amount indicated above. Such amount shall be deposited, in trust for the pro rata benefit of the holders of shares of this Series entitled thereto, with a bank or trust company described in subdivision (3) of this division, and such deposit shall in all respects be treated as though made by the Corporation pursuant thereto.

(6) If the Market Value of the Conversion Unit (as hereinafter defined) on the date fixed for the redemption of shares of this Series is at least equal to 120% of the amount payable in respect of each share of this Series upon such redemption in accordance with division (C) hereof, then shares of this Series not duly surrendered for conversion by the holders thereof prior to the close of business on the date fixed for redemption shall nevertheless be deemed to be converted by such holders into shares of Common Stock pursuant to division (H) hereof immediately prior to such time; provided, however, that no certificates for Common Stock issuable upon such conversion shall be issued to any holder of shares of this Series so converted or dividends paid or other distributions made on the Common Stock so issued to such holder unless and until such holder shall surrender to the Corporation the certificates for the shares of this Series so converted. Upon such surrender, there shall be paid to the holder of such certificates the aggregate amount of dividends and other distributions that but for the provisions hereof would have been paid by the Corporation with respect to the Common Stock issued on such conversion, but without interest thereon. Until certificates representing shares of this Series have been so surrendered such certificates shall be deemed for all corporate purposes, other than the payment of dividends or distributions, to evidence ownership of the Common Stock issued upon conversion of such shares. For purposes of this subdivision (6), the "Conversion Unit" at any time shall be deemed to be the number of shares of Common Stock into which each share of this Series then may be converted, as provided in division (H)

hereof, and the "Market Value of the Conversion Unit" on any date fixed for the redemption of shares of this Series shall be deemed to be the amount determined by multiplying (i) the Conversion Unit on such date by (ii) the closing price per share of Common Stock on such date, determined as provided in subdivision (3) of division (H) hereof.

(E) *Liquidation.* The amount which shall be paid to the holders of shares of this Series in the event of any voluntary or involuntary total liquidation, dissolution or winding up of the Corporation shall be \$50.00 per share on each outstanding share of this Series, plus in respect of each share of this Series a sum computed at the rate of \$4.00 per annum from and after the Accrual Date, to and including the date fixed for such payment, less the aggregate of dividends theretofore paid thereon, but computed without interest.

(F) *Ratable Treatment.* In the event that the amounts payable in accordance with division (E) hereof are not paid in full, each share of this Series shall, together with outstanding shares of all other series of Preferred Stock of the Corporation, share ratably, without priority of one series over the other, in the payment of dividends, including accumulations, if any, in the proportion that the amount of dividends, including accumulations, if any, then payable on each share bears to the aggregate of such amounts then payable on all Preferred Stock of the Corporation and in any distribution of assets other than by way of dividends in the proportion that the sum payable on each share bears to the aggregate of the amounts so payable on all shares of Preferred Stock of the Corporation.

(G) *Limitation on Dividends.* So long as any of the shares of this Series shall remain outstanding, no dividend whatever shall be paid or declared, and no distribution made, on any junior shares, other than a dividend payable solely in junior shares, nor shall any junior shares be acquired for a consideration by the Corporation or by any company a majority of the voting shares of which is owned by the Corporation, unless all dividends on the shares of this Series accrued for all past quarterly dividend periods shall have been paid and the full dividends thereon for the then current quarterly dividend period shall have been paid or declared and duly provided for.

(H) *Conversion Rights.* The terms upon which the holders of shares of this Series may convert the same into shares of any other class or classes are as follows:

(1) Subject to the provisions for adjustment hereinafter set forth and to the provisions of the division (D) hereof, each of the shares of this Series shall be convertible, at the option of the holder, upon surrender to any Transfer Agent for such shares or to the Corporation if no such Transfer Agent exists, of the certificate for the share to be converted, into 1.2280 fully paid and non-assessable shares of Common Stock of the Corporation. The right to convert shares of this Series called for redemption shall terminate at the close of business on the date fixed for redemption, unless the Corporation shall default in the payment of the redemption price determined as provided in division (C) hereof; upon conversion of any shares of this Series, no allowance or adjustment shall be made for dividends on either class of shares, but nothing in this subdivision shall relieve the Corporation from its obligation to pay any dividends which shall have been declared and shall be payable to holders of shares of this Series of record as of a date prior to such conversion even though the payment date for such dividend is subsequent to the date of conversion.